Austria ... Sch. 18	Indonesia . Rp 2500	Portugal ... Esc 80
Bahrain . Din 0.650	Italy . . . L 1300	S Arabia Rls 6.00
Belgium ... BFr 42	Japan . Y550	Singapore S$ 4.10
Canada ... C$1.00	Jordan . Fils 500	Spain ... Pta 110
Cyprus ... C£0.60	Kuwait . Fils 500	Sri Lanka . Rup 30
Denmark . DKr 7.25	Lebanon .. LL 8.00	Sweden . SKr 6.50
Egypt .... E£1.00	Luxembourg . LFr 42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia . Rm 4.25	Taiwan ... NT $85
France .. FFr. 6.00	Mexico . Pes. 300	Tunisia . Din 0.600
Germany . DM 2.20	Morocco . Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands Fl 2.50	U.A.E ... Dh 6.50
Hong Kong . HK$ 12	Norway .. NKr 8.00	U.S.A $1.00
India .... Rup. 15	Philippines . Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,807

Tuesday December 17 1985

D 8523 B

Austria: after the Voest-Alpine crisis, Page 16

World news — Business summary

Ministers against European Union

EEC foreign ministers agreed in Brussels that the reforms decided at the Luxembourg summit to reinforce Community institutions would be a European Act – a definition that stops short of full-scale European union.

The preamble to the agreement will make a clear legal distinction between a treaty on political co-operation – the closer co-ordination of foreign policy – and reforms to the economic co-operation laid down in the Treaty of Rome.

The text appears to reconcile the positions of both the maximalist and minimalist reformers. The former are unhappy to call the present modest package a "Treaty of European Union" as proposed by France. The latter do not want the concept spelt out as an absolute goal, for fear it might become a commitment to a federal Europe. Earlier story, Page 2

Drivers block roads

Dutch lorry drivers blocked roads in the Netherlands and all key crossings to West Germany, causing hour-long traffic jams and tailbacks several kilometres long. Drivers are demanding higher wages from freight companies.

Portuguese result

Portugal's ruling centre-right Social Democratic Party won control of 137 out of 305 towns in municipal elections including the three biggest cities, Lisbon, Oporto and Coimbra.

Agents may go back

New Zealand said it would consider repatriating two French secret service agents jailed for their part in the sinking of the Rainbow Warrior, but only if France guaranteed to keep them in jail.

Khartoum arrests

Sudanese security authorities arrested in Khartoum 17 members of a new political party loyal to ousted President Jaafar Nimeiri.

Belgium holds rebel

Belgium's number one urban guerrilla suspect, Pierre Carette, was arrested with three other alleged rebels in the southern city of Namur. He is believed to be the leader of the extreme left-wing Fighting Communist Cells which have carried out 27 bomb attacks in the last 14 months. Page 18

Uganda peace pact

The Ugandan military Government and rebels will sign a long-awaited peace agreement today, Kenyan President Daniel Arap Moi said.

Walesa lays wreath

Riot police with shields and batons allowed Solidarity leader Lech Walesa to lay a wreath in Gdansk at a monument to workers killed by security forces in 1970.

N-protesters evicted

West German police moved in on a makeshift camp near the Czechoslovak border and began evicting protesters from the planned site of West Germany's first nuclear reprocessing plant.

SA plea to Harare

South Africa urged Zimbabwe to find a way to stop guerrillas using its territory to launch attacks after six white South Africans, four of them children, were killed in a land mine explosion. Page 3

House-trained robot

A robot floor-cleaner unveiled in Japan can sweep, wash and vacuum 10 times faster than the average human, but has trouble working in tight corners.

No smoking flights

Sweden's main domestic airline, Linjeflyg, said it would become the world's first airline to ban all smoking on its flights.

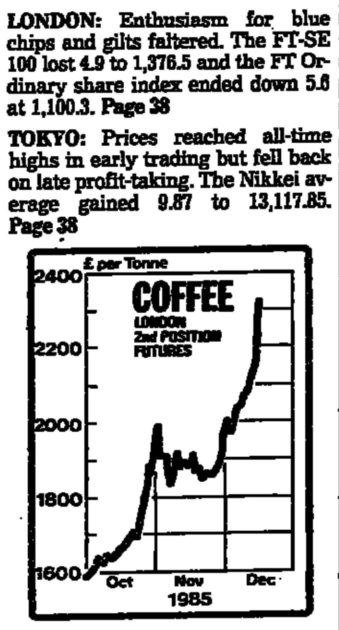
Carbide launches share buyback

UNION CARBIDE, beleaguered US chemicals group, has launched a $2bn share buyback plan as part of a "poison pill" defence to block a hostile multi-billion dollar takeover bid by GAF, US chemicals and building products company. Page 18

WALL STREET: The Dow Jones industrial average closed up 17.89 at 1,553.10. Page 38

LONDON: Enthusiasm for blue chips and gilts faltered. The FT-SE 100 lost 4.9 to 1,376.5 and the FT Ordinary share index ended down 5.6 at 1,100.3. Page 38

TOKYO: Prices reached all-time highs in early trading but fell back on late profit-taking. The Nikkei average gained 9.87 to 13,117.85. Page 38



COFFEE prices rose sharply on the London futures market on reports of the effect of drought on next year's crops in Sao Paulo state, Brazil. The March position ended trading £176.50 at £2,324 a tonne. Page 30

DOLLAR was on the whole firmer in London, rising to DM 2.523 (DM 2.5205), SFr 2.1125 (SFr 2.1075) and Y202.6 (Y202.5) but falling to FFr 7.7175 (FFr 7.725). On Bank of England figures the dollar's index rose to 127.4 from 127.1. Page 31

STERLING gained 10 points against the dollar in London to $1.438. It also improved to DM 3.6275 (DM 3.6225), SFr 3.0375 (SFr 3.0275) and Y291.50 (Y291.0) but fell to FFr 11.0975 (FFr 11.1). The pound's exchange-rate index rose 0.1 to 78.8. Page 31

GOLD rose $1.00 on the London bullion market to $319.50 and improved in Zurich to $319.25. Page 30

URUGUAY'S President Julio Sanguinetti urged Latin American countries to press for an emergency plan to tackle the region's debt problem. Page 18

ALFRED MASSA, leading West German retailer, plans to go public next spring. Page 19

NEW YORK State launched an attack on hostile takeover bids with legislation aimed at forcing corporate raiders to get the consent of targets. Page 19

VOLKSWAGEN trucks made in Brazil are to be sold in the US by Paccar, the American truck company. Page 4

THYSSEN STAHL, Europe's largest private steelmaker, warned it may suffer a reverse in turnover and profits, partly because of US protectionist policies. Page 19

BAYER, the West German chemicals group, denied that it is considering a bid for Warner Lambert, the US pharmaceuticals concern, and added that it has no plans for any major acquisitions in the near future.

MIDCON, big US natural-gas pipeline company which has been the subject of takeover rumours, has received a $2.6bn bid from two smaller US energy concerns rushing to beat imposition of tougher Federal Reserve rules on "junk bond" financed takeovers. Page 18

CADBURY SCHWEPPES ended efforts to develop a health and hygiene division with the announcement of plans to sell the businesses to their managements for £19m ($27m). Page 19

Key shareholders back Westland over rescue plan

BY LIONEL BARBER AND BRIDGET BLOOM IN LONDON

SEVERAL KEY shareholders in Westland, Britain's troubled UK helicopter manufacturer, yesterday backed Sir John Cuckney, the chairman, in his bid to secure a rescue deal for the company.

The shareholders, among them M&G, the unit trust group, and United Scientific Holdings, the UK defence contractor which together control almost 11 per cent of Westland, said they supported as a matter of principle the Westland board's right to pursue its own preferred solution.

However, these shareholders and other City of London institutions, said they would reserve final judgment on Westland's plan to link up with Sikorsky, the subsidiary of the US conglomerate United Technologies, and Fiat until they saw full details, expected to be announced this week. The same applied to the European counterproposal strongly favoured by Mr Michael Heseltine the British Defence Secretary.

Both M&G and United Scientific voiced disquiet about Mr Heseltine's campaign to press for a European solution over the heads of Westland management. "The shareholders own the business not the Government," said Mr David Tucker, a director at M&G. "If the Government wants to run Westland, it should nationalise it."

British Defence Secretary Michael Heseltine continued to support the European solution to Westland's problems over the Sikorsky proposal. Page 6. Meanwhile, Fiat of Italy Sikorsky's partner in the US company's offer, is understood to have told Italian state helicopter company Agusta that it can join the Sikorsky-led consortium. Page 2; Lex, Page 18

Mr David Fraser, managing director of United Scientific, which is a major Ministry of Defence supplier, said: "We do not have all the facts, but we feel that Sir John and the board would have made the right decision."

Mr Fraser was supported by Sir Frank Cooper, a former Permanent Secretary at the Ministry of Defence and former Westland director: "Until we have all the information, the best offer is the United Technologies and Fiat deal. This is a short-term money problem and the European proposal might not tackle the short-term."

Westland's adviser, Lazard Merchant Bank, is expected to reveal full details of the Sikorsky rescue plan on Thursday. The deal is expected to be closely modelled on a similar rescue carried out by Lazard for John Brown, the British engineering concern, earlier this year.

The package will include a heavy rights issue for shareholders, a capital injection of some £30m ($42.9m) by Sikorsky and Fiat which will give the partners a 29 per cent holding in Westland; and an offer to the two principal bankers, National Westminster and Barclays, to convert their debt into convertible preference shares.

The rescue plan will have to be approved by an extraordinary general meeting (EGM) of shareholders, probably in the new year. It will require a 75 per cent majority vote.

The same would apply to the European solution currently being pursued by Lloyds Merchant Bank involving a consortium of Aérospatiale of France, Agusta of Italy, Messerschmitt-Bölkow-Blohm of West Germany and British Aerospace. However, under company law, the European proposal could only be submitted over the head of the board at an EGM if 10 per cent of the shareholders could be mus-

Continued on Page 18

Pru-Bache disciplined for Nasdaq violation

BY PAUL TAYLOR IN NEW YORK

WALL STREET'S seventh largest brokerage firm, Prudential-Bache Securities, was suspended yesterday for 20 business days as a market maker in one stock and censured and fined $100,000 by the National Association of Securities Dealers (NASD) which supervises New York's over-the-counter Nasdaq stock market.

The NASD said it had taken the disciplinary action against Prudential-Bache, the investment banking subsidiary of the Prudential Insurance group of the US, two employees and a former employee who has resigned. The action, said the NASD, followed violations of the association's rules of fair practice and by-laws involving entering false price information about a stock in order to inflate its price.

The suspension affects Prudential-Bache's market-making activities in Crown Books, one of 400 over-the-counter stocks for which the Wall Street firm acts as market maker. Market makers' responsibilities include entering bid and offered quotations on individual stocks.

Prudential-Bache agreed to the penalties without admitting or denying the allegations. These were that the company, through its employees "entered fictitous trade reports into the Nasdaq system, failed to report trades into the Nasdaq system and failed properly and adequately to supply its employees with respect to such trade reporting activities."

In addition to the penalties, Prudential-Bache also agreed to issue written procedures to supervise compliance with Nasdaq trade reporting and quotation rules.

The NASD added that Mr James Raphalian, a former Prudential-Bache employee, was suspended from association with any NASD member in any capacity for 30 business days and fined $50,000 after NASD findings that "he aided and abetted the fictitous trade reporting misconduct" and failed to properly and adequately supervise two former colleagues Mr Richard Morse and Mr Charles Casper.

Mr Morse was suspended from association with any NASD member for five business days and fined $3,000 after allegations that he entered false trade reports into the Nasdaq system "to support the price of the stock."

Mr Casper was suspended for 40 business days beginning on December 23 and fined $10,000 for allegedly entering fictitous trade reports and failing to enter trade reports "in order to give an inflated appearance to the price of the stock and to artificially support the price."

General Motors' EDS poised to bid for troubled Logica

BY JASON CRISP IN LONDON

ELECTRONIC DATA SYSTEMS (EDS), the computer subsidiary of General Motors, looks set to bid for Logica, the troubled British software house.

Although EDS emphasised yesterday that it was important that the bid should be supported by Logica's management and employees, it has already succeeded in upsetting the board through its unorthodox tactics. An acceptable takeover is critical because Logica's main asset is its professional staff.

EDS, which acquired Unilever Computer Systems of the UK last year, approached Logica two weeks ago to talk about acquiring its two office automation subsidiaries, VTS in the UK and ITIC in the US. Several other companies have talked to Logica about these two subsidiaries which are the cause of its problems.

Last Friday, EDS widened the discussions to include the core software business. Mr Gary Fernandes, a senior vice-president of EDS, said yesterday he was not interested in the office automation subsidiaries. "Logica's mainstream business fits hand in glove with what we are doing."

At the brief Friday meeting Logica directors rejected the proposal. Without any further discussions, EDS issued a statement to the London Stock Exchange yesterday that it had approached Logica management, "regarding possible business combinations of the two companies."

Logica's share price closed at 137p – up 7p – but rose further in after-hours trading yesterday, after the statement was issued. With Christmas and new year holidays starting next week, it is understood that EDS wants to reach an agreed bid by the end of this week. Part of the deal would involve the refinancing of VTS, which makes word processors sold by British Telecom and ICL, which would remain an independent entity. Mr Fernandes said VTS was a viable independent business if relieved of its debt burden.

Mr Fernandes said yesterday that he hoped that an agreed bid could be reached in a matter of days. But by early evening yesterday Mr Fernandes had not spoken to Mr Philip Hughes, chairman of Logica, who telephoned him five times.

EDS, which was bought by General Motors in October 1984 for $2.55bn, attracted attention earlier this year when computer staff at Vauxhall, the UK car subsidiary of GM, transferred to the company, had to sign new contracts which included a ban on beards and lunch-time drinking.

Mr Hughes said last night: "I was surprised by the statement and am still trying to get in touch with EDS to clarify what is behind this."

Goldsmith breaks up Zellerbach in James River deal

By Terry Dodsworth and William Hall in New York

SIR JAMES Goldsmith, the Anglo-French financier, has negotiated the break-up of Crown Zellerbach, the US forest-product group he acquired earlier this year, in a move that will make him one of the biggest owners of US timberland.

The deal involves the sale of a substantial part of Crown Zellerbach to James River, one of the fastest-growing US paper companies, in a complex series of transactions. The major elements are:

- James River will acquire Crown Zellerbach's operations in communications and business papers, paper distribution, sanitary papers and flexible packaging, which will boost James River's turnover to $4.5bn a year.
- Sir James Goldsmith will retain 1.6m acres of timberland, some property including Crown's interest in its San Francisco headquarters, the group's container division and its Eczel electronic office supplies distributor. Sir James will also receive $90m in cash and the right to sell the container division for $225m in the first half of 1987.
- Minority shareholders of Crown Zellerbach, who own 48 per cent of the company, will receive James River shares according to a formula which puts a value of about $44 on each Crown Zellerbach share.

The effective break-up of Crown Zellerbach is the final chapter in a bitter takeover battle which began more than a year ago when Sir James announced plans to buy up to 25 per cent of Crown Zellerbach. In April, Sir James offered $42.50 for up to 70 per cent of Crown shares but this was rejected. Sir James continued buying shares and in July raised his stake to more than 50 per cent.

Since then, Crown Zellerbach and its major shareholder, Sir James's General Oriental Securities partnership, have been discussing "various alternatives for maximising the value of Crown for all shareholders." Crown Zellerbach shares rose $2⅞ to $41⅞ yesterday and James River shares fell $1⅞ to $37½.

The planned transaction involves two concurrent exchange offers by Crown Zellerbach and James River. The purpose of the complicated mechanism is to persuade the minority shareholders to tender their shares to James River, while Crown buys back Sir James's 13.57m Crown shares in return for the assets he is retaining.

The deal has been complicated by

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Britain unveils big changes in welfare state

BY ROBIN PAULEY IN LONDON

BRITAIN'S Conservative Government yesterday unveiled plans for the biggest changes in the country's social welfare system for more than 40 years. Social security programmes, costing £40bn ($57bn) a year, account for one third of UK government spending.

The proposed changes, published yesterday in a Government White Paper (policy document), follow the most intensive review of the British social security system since the modern welfare state was established during the Second World War based on recommendations by the economist Lord Beveridge.

The White Paper nevertheless contains a number of changes in the Government's plans as outlined in a discussion document earlier this year.

The key change is that Mr Norman Fowler, Social Services Secretary, has abandoned plans to abolish the Government's involvement in earnings-related pensions through the state earnings-related pension scheme (Serps).

The scheme has been reprieved but its benefits will be heavily curtailed to cut its cost to the state by half by the time it is fully operational in the next century. Wide-ranging changes will be made to liberalise the personal pensions market and enable individuals to organise their own pensions and give them plenty of competition to choose from in the private pension market.

Legal and General, the UK insurance group, last night predicted a genuine and substantial growth in private pension coverage for "millions of workers" so long as Mr Fowler had got the small print right. National Mutual Life welcomed the proposal so far but also called for "urgent clarification on the details."

The complex supplementary benefit and family income supplement systems will be swept away in a bill to be brought to parliament next month. They will be replaced with simpler systems called income support and family credit, which will be means-tested and consistent with each other.

The emphasis of all the changes is to try to direct more cash to very poor families with children. But the insistence by the Treasury that no further costs to the social security systems could be tolerated has meant others within the system becoming losers.

They are principally the young without children and old age pensioners with means low enough to include them in the social security system – at least half of Britain's 11m retired population.

Because of the administrative complexity of the scheme, Mr Fowler has had to delay implementation of nearly all the main proposals until April 1988.

While Conservatives were anxious that this could make the plans an electoral liability, opposition spokesmen were claiming last night that it was a "trick" organised in the hope that people would not realise how much they would lose until after Britain's next general election, which must be held no later than June 1988.

The White Paper is a far cry from the original intentions of Mr Fowler, who started the process for change with a series of reviews two years ago and a declaration that "a new Beveridge" was required to take Britain's social security system into the 21st century.

A succession of defeats in Cabinet during those two years on all the radical ideas for reform have left Mr Fowler with a White Paper containing a string of changes which are largely amendments to the present approach.

Indeed, Mr Fowler's discussion document, published in June, attracted more than 7,000 responses of almost unanimous hostility.

Mr Fowler tried yesterday to present the changes as concessions in the light of the critical comments heaped on his initial paper, but he still had few supporters last night.

Mr Michael Meacher, social services spokesman for the opposition Labour Party, said the Government was "targeting cuts on the very poorest."

Mr Norman Willis, Trades Union Congress general secretary, said the proposals were a lost opportunity to match social security and social need. Both leading unions in Britain's Department of Health and Social Services were critical of a new "Social Fund" for emergency payments, saying its operation promised "to be a nightmare."

The Confederation of British Industry, however, gave the White Paper more support than it had the discussion document. Sir Terence Beckett, CBI director general, limited his comments to the pensions proposals and said they showed "sensible thinking from a Government which has widely listened to advice."

Sir John Hoskyns, director general of the Institute of Directors, said he was disappointed that the plan to abolish Serps had been dropped but nevertheless the Government was taking a step in the right direction.

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CONTENTS

Italy tries to win MEPs more power

BY QUENTIN PEEL IN BRUSSELS

ITALY yesterday launched a new bid to win more powers for the European Parliament, but EEC foreign ministers *appeared determined not to re-open the reform package agreed* by Community heads of government in Luxembourg two weeks ago.

The plan presented by Mr Giulio Andreotti, the Italian Foreign Minister, would seek to give the Parliament powers to amend legislation over a wider range of subjects, and guarantee that those amendments are at least taken into account by member states when they finalise EEC legislation.

In spite of some support from Belgium, West Germany, the Netherlands, and the European Commission, the plan seemed doomed to be blocked by resist*ance from both Denmark and* the UK.

The foreign ministers were last night standing firm on their national positions spelt out at the Luxembourg summit, with both Italy and Denmark maintaining reservations on the reform package for opposite reasons.

Mr Uffe Ellemann-Jensen, the Danish minister, made it clear that the present plans for the *Parliament, which would not* give MEPs any real legislative power, might still be too much for Denmark to swallow. He also spelt out his adament oppo*sition to a French plan to label* the whole reform package "European Union."

Mr Andreotti presented his new proposals in a bid to satisfy the Parliament with the changes in its powers, which a big majority of the assembly condemned last week as unsatisfactory and unacceptable. He said the new co-operation procedure, instituting a second reading of EEC legislation to allow MEPs to propose amendments, while leaving the final decision in the hands of the Council of Ministers, should be extended to wider areas of majority decision-taking.

The proposal would not *include management of* the common agricultural policy, he said.

The move was welcomed by the European Commission, although Mr Carlo Ripa di Meana, the Commissioner responsible for institutional affairs, warned that it was being blocked by the intransigence of some member states and the determination of Luxembourg, the current Council chairman, *to finish the process speedily.*

Fiat offers Agusta role in bid for part of Westland

BY JAMES BUXTON IN ROME

FIAT, European partner of Sikorsky in its offer to buy 29.9 per cent of the British helicopter-maker Westland, is believed to have offered Agusta a share in the consortium.

Agusta, the state-controlled Italian helicopter company, is part of the four-company European consortium whose offer for Westland was rejected last week. Its partners are Aerospatiale of France, MBB of West Germany and British Aerospace.

Fiat is stressing that it is the "national and European component" in the Sikorsky-led bid to rescue Westland, and that "it will not fail to look after the industrial interests of the Continent." For the moment, however, Agusta, whose own future is closely bound up with that of Westland because of a major joint helicopter project, is expected to press on with its participation in the European consortium bid.

If Agusta were to switch its *allegiance, this would weaken* the argument of critics who say that Sikorsky's entry into Westland is against the interests of the European industry.

A fundamental problem for Agusta is its heavy indebtedness. Financial analysts believe there could be room for Agusta in the Sikorsky consortium because, if it succeeded and were followed by a substantial recapitalisation of Westland, the new shareholders would end up with an absolute *majority of the shares.*

So far the size of Fiat's stake in the partnership with Sikorsky has not been disclosed, nor have other details of the Sikorsky offer.

The entry of Fiat into Westland *would in any case mark* a sharp expansion of its interests in the European aerospace industry. It would also bring it into closer contact with Agusta because of the latter's joint project with Westland for a new version of the A129 *anti-tank helicopter and* the EH 101 naval and utility helicopter.

Fiat, now a financially and industrially strong group, appears to have decided to diversify away from vehicle manufacturing *into high tech*nology sectors such as defence. It has already built up an important position in the Italian armaments industry through its control of Snia BPD.

It wants to participate in the US Strategic Defence *Initiative* (SDI), an ambition which could be favoured by its close ties with United Technologies, the parent of Sikorsky and of Pratt and Whitney, the aero-engine maker.

Fiat Aviazione, the group's *aviation subsidiary, which last* year had sales of L372bn (£150m), has a network of collaboration agreements in the field of engine and transmission systems with large aero-engine manufacturers for both *fixed wing aircraft and helicopters.*

Lubbers aims to lead in the 'spirit of Luxembourg'

BY LAURA RAUN IN THE HAGUE

THE Dutch Prime Minister, Mr Ruud Lubbers, aimed to lead the European Community in the "*spirit of Luxembourg*" when the Netherlands assumes the presidency of the EEC on January 1.

Talking to foreign journalists Mr Lubbers said that while the proposals agreed at the Luxembourg summit last week had not been ratified by the member countries, the Netherlands hoped to operate the new measures for speeding decision making. This would mean pressing for developing the internal market.

The post-Luxembourg era could be a kind of limbo as the 12 member countries wait for ratification to the proposed *amendments to the Treaty of* Rome and yet are urged by the Netherlands and others to embrace the proposed changes.

Mr Lubbers is likely to resort to moral persuasion rather than open confrontation during his six-month presidency

Even with Denmark, whose Parliament last week indicated *opposition to the Luxembourg* reforms, Mr Lubbers was diplomatic. He said he still was optimistic that the Danes would "enter the European spirit"

Mr Lubbers emphasised that *the Netherlands would view* completion of the internal market as a top priority during its term. The Dutch, who historically have been among the most ardent supporters of the EEC, *have promoted a genuine* common market for goods, services, transport and technology.

He also explained why he wanted to reduce the number of EEC summits to two a year *from three, which would mean* only one top meeting during the Dutch presidency. "It is wrong to think that the more European leaders get together, the more decisions will be made," he said.

Polls help Cavaco Silva

BY DIANA SMITH IN LISBON

THE STRONG showing of the ruling Social Democrat Party (PSD) in the Portuguese local government elections on Sunday appears to have improved *the chances of survival of the* minority social democrat Government that took office just over a month ago.

The PSD now has control of 150 of Portugal's 305 town halls, 25 more than before. In the voting for the 4,164 borough councils it took more than 35 per cent of the poll, 5 per cent more than in the October general election.

Prof Cavaco Silva, the Prime Minister who has rushed through financial measures aimed at rebuilding business confidence after two years of depression, will now negotiate difficult reforms through a Parliament where the opposition, after Sunday's poll, is less sure of its national standing.

Mitterrand takes wheel of election bandwagon

By David Housego in Paris

THE MAN who has most actively entered the arena in France's general election campaign is a politician not even standing for Parliament in March. President Francois Mitterrand, after a long period of silence, was back on television for 70 minutes on Sunday night, making his third address to the nation in as many weeks.

The main reason is the dramatic decline in the popularity of Mr Laurent Fabius, *the Prime Minister,* who has had the humiliation of seeing his support in the public opinion polls drop by 10 percentage points in recent weeks. He was even cold-shouldered by the party's executive committee when they met on Saturday to finalise their electoral platform.

Mr Mitterrand has thus reversed what had been his strategy of remaining largely above the fray until March, and has taken upon himself leadership of the Socialist campaign.

In taking the risk of *focusing the campaign on* himself, Mr Mitterrand's gambling on being able to add a few percentage points to the Socialists' score in March. For, though the party appears condemned to defeat under the new system of proportional representation, his room for manoeuvre after the election depends on avoiding a rout.

If the Socialists remain at their present level of about 23 per cent of the vote, they will have only about 140 seats in the National Assembly, and second party to the neo-Gaullist RPR. This would make it difficult for President Mitterrand to resist demands for his resignation.

On the other hand if the party could boost its score to 27 per cent, it would win *about 180 seats and still have* a chance of being the largest single party in Parliament. Though still faced by a hostile right-wing majority, the President would still have considerable authority.

Mr Mitterrand's main message in his broadcasts is to point to the Left's economic successes and to challenge the Right to say whether it will reverse the social advances of the past few years.

Gonzalez promises action on Basque death

BY DAVID WHITE IN MADRID

MR FELIPE GONZALEZ, the Spanish Prime Minister, said yesterday that the scandal over the death of a Basque detainee claimed by members of the paramilitary civil guard to have escaped from custody, would be cleared up "whatever the consequences."

The Government faces a *sharp escalation of political ten*sion in the Basque country over the affair, which has already provoked violent incidents there.

The handcuffed corpse of Mr Mikel Zabalza, a 32-year-old bus driver detained under anti-terrorist laws last month, on suspicion of collaborating with the ETA separatist organisation, was found floating in a river on Sunday near where he was said to have escaped on the night of his detention.

The river, in the north of Navarre, had already been searched in vain by Red Cross frogmen.

Mr Gonzalez said yesterday he had "absolute confidence" in *Spanish justice clearing up the* matter.

Whatever the conclusions of an official autopsy, however, they are unlikely to diminish the impact of the affair as a rallying-point for radical Basque sentiment and as a focus of criticism of Spain's anti-terrorist laws. These allow for terrorist suspects to be held for 10 days without seeing lawyers.

The affair is being used by Eta sympathisers to revive flagging popular support. It follows a resumption of Eta shootings last month after a 10-week lull.

Mr Zabalza was among those detained after three murders in the San Sebastian region. *The Civil Guards* said he escaped while taking them to what he said was an arms cache in a disused railway tunnel. However, his girlfriend claimed later to have seen him in a Civil Guard barracks with a plastic bag over his head.

The Civil Guard yesterday announced it would take legal action over allegations made against it.

The human rights commission of the Basque Parliament, meanwhile, has set up a working group to look into the case. Mr Jesus Insausti, head of the region's ruling Basque Nationalist Party (PNV), said yesterday he would attend Mr Zabalza's funeral and that the party would make every effort to ensure the truth came to light.

The case recalls the death of a terrorist suspect, Mr Joseba Arregui, following interrogation in 1981. A crackdown on Civil Guards involved in the case was seen as one of the factors that triggered the attempted army coup in February of that year.

On the eve of a pit strike, **David White** visits Spain's coal mines

An industry that refuses to die

AMONG THE cluster of coal towns near Oviedo, which have been kept in the news this year by a long series of fatal acci*dents, the most striking is El* Entrego.

Its pithead tower stands in the middle of town, dominating one side of a long, drab main street. The only other feature of note, like every other town in these rainy valleys, is the number of bars. Here cider is drunk and in quantity.

El Entrego, in the heartland of Spain's coal industry, is the region's oldest deep pit, with *galleries going down to 1,300* feet. It employs 500 miners and most of the work on the coal-faces has to be done manually.

Anywhere else in Europe it is unlikely that seams such as *these, lying at angles between* 40 degrees and vertical, would be considered worth working.

"Miners are still using the same methods as 30 years ago," says Mr Avelino Garcia, miners' branch leader of the Communist trade union, Workers' Commissions.

The Entrego pit typifies the problems at the state coal company Hulleras del Norte (Hunosa), which owns 30 collieries in the region. Like the rest of the industry, it will be hit today and tomorrow by a national pit strike, motivated by fears that the Socialist Government, once it has got past next *year's general election, could* axe up to 7,000 of the 21,000 Hunosa jobs.

With a Socialist in charge at Hunosa, the strike call has driven a wedge down the middle of the Socialist union movement.

Hunosa expects this year to lose Pta 30bn (£134m), including Pta 25bn of state subsidy. This is roughly equivalent to its total payroll and almost as much as its 1984 sales.

Britain's National Coal Board, in its last year of normal activity, produced an average of 504 tonnes per man. At Hunosa the average last year was 180 tonnes, barely a third of the British figure.

When Hunosa was set up in 1967 to take charge of most of the larger Asturias mines, the idea was to run them down. Hunosa was only meant as a transition phase. "The industry was dying a natural death," says Mr Juan Tesoro, the current chairman. "No-one envisaged a survival plan."

But the oil crisis changed the outlook both for coal, which soared in price, and for the miners, who clung to their jobs despite the tough physical conditions. Mr Tesoro, appointed when the Socialists took power *three years ago,* was one of the architect's of the party's energy policy.

Favouring greater use of home-produced coal rather than building more nuclear power stations, he says that Spain's position is distinct from that of Europe's other big producers of hard coal. It does not have France's large installed nuclear capacity, and unlike Britain and West Germany has *a coal deficit—which means it* can use every tonne it can produce.

"There is no market crisis. We have enough demand now and for the foreseeable future. *But there is a problem of cost,*" he says. By the end of next year Hunosa has to produce its first long-term viability plan. In the meantime it is undergoing a three-year productivity programme, during which the Government has pledged a total of Pta 78bn in subsidies, subject to Hunosa meeting output targets.

The programme, involving investment of Pta 24bn, rejuvenation of the workforce and low wage increases, was agreed by Socialist union leaders but not by their powerful Communist rivals.

Intermittent strikes—"*collective absenteeism*" in the company's jargon—have been one reason for production falling short of the target in most collieries. But Mr Tesoro admits this is also because new areas being worked have turned out worse than expected.

Asturias coal has always been expensive to exploit, with small pits and narrow seams, mostly at steep angles. In the last century, coal from Newcastle was cheaper than the local product. Ships taking iron ore from Bilbao made their return voyage laden with English coal. In the end, heavy duties were *slapped on imports* —at high cost to Spain's industrial development.

Hunosa is seeking savings through mechanisation and curbs on labour costs. Only *29 per cent of extraction* is now mechanised. The rate is being increased, but Mr Tesoro says the maximum here would be 50 per cent. As for wages —an Asturias miner earns an average of about Pta 1.5m (£6,700) a year—recent increases have been small, but this is offset by a reduced number of workdays.

So far the Socialists' management policy has been governed by a pledge not to create unemployment in the mining valleys. The viability study, Mr Tesoro says, will set out "what can be done with the mines and how much it costs. "It will be *the first* "*cold and realistic analysis*" of the price of maintaining Hunosa, and the alternatives.

Spanish mining has not only financial costs, but human ones too. Sixty-seven miners have been killed so far this year, 35 of them in the Asturias coal-pits, including 16 at Hunosa. El Enutergo joined this grim list in July, when the miner was crushed by a wagon.

The company says the rate of fatal accidents has been halved since Hunosa took the mines over, and that improved conditions have brought a check to silicosis, then endemic. Among *those who have started work*ing at Hunosa since the take-overs, no new case of silicosis has been reported, it says in defence of its health and safety record.

Unions recognise that safety is better at Hunosa than at smaller, private mines in Asturias at which about 100 companies employ 7,600 people. So-called chamizos, small mountain shafts, are dotted all around, often disused and re-opened for clandestine use. Some of them still employ pit-mules.

The mineworker's place in union lore is as important in Spain as anywhere i Europe. Asturias is an old stronghold of the left, the only autonomous region of northern Spain where the Socialists have electoral control.

The mines, highly unionised, are he region's political heart. The historic Asturias mine-workers' union, Soma, affiliated to the Socialist UGT labour federation, is the backbone of *the region's ruling Socialist* Party. But he Workers' Commissions, which began on an Asturias coal mine in the Franco era, have the upper hand at the coalfaces.

Soma's leader, Mr Jose Fernadez Villa, who sits on Hunosa's board, opposes the strike as a move "to create tension in the mines." But the UGT's more militant national mine branch was joined the strike call.

In any event, the Communists on their own would be capable of partlysing the pits, and Mr Garcia, at he Workers' Commissions headquarters in Oviedo, is predicting a hot 1986.

Rau opens attempt to bring down Kohl

By Peter Bruce in Bonn

MR JOHANNES RAU, the premier of West Germany's biggest state, North Rhine Westphalia, yesterday opened the opposition Social Democrat (SPD) campaign to remove Chancellor Helmut Kohl from office in the 1987 general election by declaring he wanted *to become a "chancellor for all citizens."*

To the strains of a Westphalian coal miners' choir—"rise, rise, the foreman's coming"—Mr Rau set off from Dortmund yesterday in a special train for Ahlen, a town 50 km north east and the place where his opponents, Mr Kohl's Christian Democrats (CDU), first set out their policies after the war. Mr Rau, hoping the point would not be lost, went there to do much the same thing.

Nominated unanimously as candidate for chancellor by the party executive on Sunday, Mr Rau, 54, still has to win the approval of the SDP congress at the end of next summer but there is no doubt about his candidacy, or of the tremendous hopes the SPD has invested in him.

True to his homely style, he was emotionally embraced as he stepped onto the podium to give what amounted to an acceptance speech in Ahlen.

Mr Rau is deeply conservative, and what he had to say surprised nobody. The arms race was a bad thing and nuclear weapons should be "negotiated away." In multi*lateral negotiations, that is.*

He called for a "second phase" in detente, and for economic and cultural ties between East and West to be strengthened. All Social Democrats agreed, he claimed, that the federal republic is and should remain bound to the Western alliance. That did not mean that allies should always agree with each other.

Mr Rau accused the present, even more conservative, government of splitting the country. The Kohl Administration had become the greatest obstacle to fighting unemployment, which is at a post-war high. He said *he was in favour of the better* paid helping, for a limited period, in the war against unemployment and spoke out for a substantial tax cut for low and middle earners.

Mr Rau is a *hoffnungstraeger* (bearer of hope) for the SPD, which without a strong personality to build its campaign around, would stand little chance of winning a majority in the next parliament. But he *may already have peaked.* He thrashed a demoralised CDU in the North Rhine Westphalia elections last May, rocketed up the opinion polls in the summer and really left the SPD with little alternative *but to nominate him.*

But he has been "the candidate" for nearly six months now. The CDUs well-drilled executioners have already seen to it that some of the Rau gloss has worn off. Latest polls suggest that Chancellor Kohl leads him by 45 to 44 per cent and though that is close, and the election 13 months off, it is not good enough.

He has blundered badly on detailed economic policy questions and as a man who intends also to make environmental issues a central part of his platform, he presented the CDU with a perfect target recently by commissioning a coal-fired power station in his state which, it is claimed, will produce more pollution in a year than all the vehicles on West German roads.

The 500 delegates in Ahlen were content to put these worries aside for a moment yesterday, however. "I am ready," their man declared, and they cheered him to the echo.

Comecon ties its plans together

BY DAVID BUCHAN

PRIME MINISTERS of Comecon, the 10-national Soviet bloc trading organisation, meet today in Moscow for a special session to approve co-ordination of their countries' five-year economic plans which start on January 1.

The Eastern alliance has begun to hold more frequent meetings, on economic as well as military issues, since Mr Mikhail Gorbachev came to power in the Kremlin nine months ago. The Comecon premiers held their regular annual meeting in Warsaw in *June, but have now been sum*moned to an "extraordinary" session, presumably to hear from Mr Gorbachev first hand what his economic changes at home spell for Soviet partners abroad and perhaps to bring several years of work on a joint scientific and technical programme to a conclusion.

Recent debate in Comecon has focused on the Soviet desire for better quality manufactured goods and more capital and labour from Eastern *Europe in return for Soviet* energy and raw materials, on closer trade integration, on Eastern Europe's freedom to pursue differing national economic reforms, and on aid to the three non-European and poorer members: Cuba, Mongolia and Vietnam.

Moscow is putting its six East European partners in Comecon under increasing pressure to repay their accumulated debt to the Soviet Union, which a recent report by Wharton Econometrics, the Washington-based research organisation, put at Roubles 13bn ($16.5bn) in mid-1985.

The Kremlin wants to reverse the bilateral trade surpluses it ran with *East European coun*tries in the early 1980s; in Comecon barter terms a surplus amounts to a credit. Under this pressure, East Germany, Hungary and Romania are now running trade surpluses, and Bulgaria and Czechoslovakia have reduced their bilateral deficits, with Moscow; Poland has been given until 1989 to get back into the black with the Soviet Union.

Hungary seeks better US trade terms

By Patrick Blum in Vienna and Leslie Colitt in Berlin

MR GEORGE SHULTZ, the US Secretary of State, yesterday held talks with Hungarian leaders that focussed on bila*teral economic issues. Hungary* is apparently pressing for extension of the same trade preference that its neighbour, Romania, is in danger of losing.

The relationship with the US was "stable," but left room for improvement, Budapest radio said after Mr Shultz had met Mr Janos Kadar, the party leader and Mr Peter Va.konyi, the Foreign Minister.

Mr Shultz arrived in Budapest from Bucharest where he met President Nicolae Ceausescu. Hungary and Romania are the only two Warsaw Pact countries whose exports to the US receive most favoured nation (MFN) *tariff treatment, in recognition* of Budapest's relatively liberal domestic policies and Bucharest's independent-minded foreign policy. Hungary wants MFN treatment for a five-year period instead of having it re*viewed every year.*

Romania had earlier been warned by Mr Shultz that it might lose MFN status althogether due to congressional objections to its human rights policies.

Yesterday it played down differences in relations with the US, which it said were "on the whole developing positively."

Soviet coal minister replaced

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union has appointed a new Coal Minister, Mr Mikhail Shchadov, in the latest move to change the top management of the Soviet energy sector.

He replaces Mr Boris Bratchenko, who has held his post for 20 years, and to whom Mr Shchadov was formerly deputy. The coal industry has failed to meet its production targets in recent years but an increase in output from opencast mines is a central part of the Soviet energy programme.

The old coalfields have become increasingly expensive to exploit as mines have to be driven deeper. To reach a target of 780m-800m tons a year coal output by 1990, the Soviet Union needs to exploit the coal reserves east of the Urals.

The Coal Ministry said last week that the cost per ton of opencast mining was five times less than in the old mining areas, and productivity was 10 times higher. Nevertheless, the new mines have been slow to develop and the coal industry is to receive an extra 27 per cent in capital investment next year in a bid to boost production.

The energy sector, which currently absorbs some 30 per cent of all Soviet investment, has seen a complete change in its ministers over the past two years — Mr Bratchenko was the last to go. It is not, however, *to be amalgamated into a* single energy super-ministry, as some had predicted, a senior official said on television last weekend.

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Pretoria seeks talks with Harare over landmine deaths

BY ANTHONY ROBINSON IN JOHANNESBURG

THE South African Government yesterday called for urgent talks with Zimbabwe and Gen Magnus Malan, the South African Defence Minister flew to the two countries' border following a landmine explosion on Sunday afternoon which killed six whites, including four children between two and nine years old, and wounded five others.

The eleven, all members of two Afrikaner families, were driving in a light truck through the Chatsworth private game reserve close to the border with Zimbabwe when the mine exploded. The reserve, some 30 kms from the town of Messina, is in an area infiltrated by suspected African National Congress (ANC) guerrillas three weeks ago.

The guerrillas, a three-man team whose tracks were traced back across the Limpopo river into Zimbabwe, sowed several mines which killed a black tractor driver, injured two black soldiers in an armoured car and destroyed two vehicles. Army units swept the area for mines and it is not clear at this stage whether the latest explosion was an undetected mine from that operation or a separate incursion.

The original landmine attack was followed two days later by a rocket and mortar assault on two strategic oil from coal plants at Secunda in the eastern Transvaal on November 28. The three-man sabotage unit was killed by security forces as they sought to escape across the Swaziland border.

A spokesman for the ANC in Lusaka, headquarters of. the banned organisation, claimed responsibility for both attacks and said they formed part of a "generalised escalation of both the political and military struggle against the South African racist regime."

In response the South African authorities have replaced police units guarding the frontier with troops while Mr Pik Botha, the Foreign Minister warned that South Africa would undertake hot pursuit operations into Zimbabwean territory if Harare did not take urgent steps to stop the ANC from operating from or through its territory. In its first public reaction to the latest incident Mr Botha said yesterday that the Government "is urgently approaching the Zimbabwean authorities . . . with a view to removing the threat of violence and terror of this nature."

The ANC yesterday claimed responsibility for the fatal landmine explosion but said that it had not operated from Zimbabwean territory, Reuter reports from Lusaka. Spokesman Tom Sebina said: "We have never used Zimbabwe as a launching pad." Zimbabwe also denies letting its territory be used as a guerrilla base.

The decision of the Defence Minister to fly to the border is probably a more accurate indicator of the seriousness with which the Government views the situation than the low-key statement by the Foreign Minister. In recent months South Africa has launched several cross border raids into southern Angola and a lightning raid on ANC homes and offices in the Botswanan capital Gaberone on June 14.

News of the latest landmine incident came as the ANC celebrated the 25th anniversary of the foundation of its military wing Umkhonto we Sizwe (spear of the nation) and as Afrikaaners remembered the most emotive day in their history, the Day of the Covenant.

This celebrates the Battle of Blood River on December 16, 1838 when 470 Afrikaaner Voortrekkers under Gen Andries Pretorius assisted by several hundred armed black scouts, killed over 3,000 Zulu warriors

The battle, in which legend has it the river ran red with the blood of slaughtered Zulus, was revenge for the killing of 90 adults and 180 children seven months earlier when three Zulu impis (regiments) fell upon the undefended wagons of Voortrekker families

In recent years progressive Afrikaaners, troubled by the divisiveness of this white tribal celebration, have sought to change the nature of the day to one of reconciliation. But old habits die hard and the Government is expected to be under strong pressure from its more conservative supporters and opponents to act forcefully against the ANC

US moves to toughen southern Africa policy

BY MICHAEL HOLMAN, AFRICA CORRESPONDENT, RECENTLY IN WASHINGTON

A DECADE after Henry Kissinger singled out Soviet actions in Angola as "the principal element" in the deterioration of relations between Washington and Moscow, the two superpowers are once again moving closer to battle by proxy in a country gripped by civil war since independence in 1975.

A series of recent signals from Washington suggest that a watershed in US policy in southern Africa may have been reached. President Reagan, in a speech to the United Nations in October, listed Angola as one of five examples of Soviet expansionism; Congress this summer repealed a 1976 law banning aid to Angola's Unita rebels. Mr Reagan last month disclosed that he favours covert support to Unita, and Administration officials increasingly warn of a $2bn Soviet-supplied arms build up in Angola, associated with a 35,000 strong Cuban force.

In the next few weeks, analysts in Washington believe the US may align itself with the Unita rebels, who are currently largely dependent on South Africa for military and logistical backing.

The size and form US support would take has yet to be resolved. Three Bills before Congress offer a choice of economic sanctions against the Marxist government of President does Santos, military support to Unita, or humanitarian aid to the rebels. The White House opposes this approach and there is growing speculation in Washington that the support may be covert.

US policy in southern Africa, has until now depended on Washington's ability to present itself as a detached broker in the region's conflicts in Mozambique, Angola, Namibia (South West Africa), and in South Africa itself, the country which is either responsible for or associated with all of them.

The policy is already under strain because South Africa has broken agreements — the Nkomati non-aggression pact — with Mozambique and troop withdrawal agreement involving southern Angola and because President Reagan has been forced to introduce economic sanctions against Pretoria.

It has also come under attack from all sides. Some critics say that Washington has failed to curb South African "destabilisation" in the region or hasten the pace of reform. Others argue that if sanctions are applied against Pretoria, then action should be taken against the Soviet-Cuba build-up in Angola.

Although the debate in Washington has echoes of the Kissinger era, in the past 10 years the stakes have risen dramatically. The initial contingent of Cuban "advisers," essential to Angola's battle with Dr Jonas Savimbi's Unita, and vital to the survival of the ruling MPLA Government has risen to 35,000.

Administration officials say the arms build up includes T62 heavy tanks, SU 22 fighter bombers, Mig 17s and Mig 21s. Against this, an estimated 20,000 South African troops, are countering incursions by the Angola-based guerrillas of the South West Africa People's Organisation (Swapo), but also directly and indirectly helping Unita.

Dr Chester Crocker, US Assistant Secretary of State for African Affairs, has argued that these two conflicts—the MPLA against Unita, and South Africa against Swapo—are inseparable, and a solution for one must encompass a solution for the other.

The interventionists argue that the escalation of the conflict demonstrates that a firm US stand should have been taken much earlier, nipping Soviet-Cuban "expansionism" in the bud. Opponents maintain that the growth of the Cuban presence is directly related to South Africa's increased role in Angola.

The intervention case appears to be based on the belief that the Soviet-Cuban role in Angola is part of a broader strategy, under which Namibia and eventually South Africa would become arenas of Soviet military involvement.

The prospect of US involvement on Unita's side would force the Angola Government to reassess its reluctance to adopt the principle of linked withdrawal of Cuban and South African troops, according to the interventionists. It would also push the MPLA towards talks with Unita and the formation of a coalition or national unity government.

Opponents argue that aiding Unita would make Washington a de facto ally of Pretoria in the war, undermining US efforts to convince South Africa that it should dismantle apartheid.

Even if Angola did soften its stand on troop "linkage"—regarded as unlikely given the vital role the Cubans play—South Africa might respond by taking a tougher stand, they say. Pretoria would be closer to succeeding in what it failed to do in 1975 — draw the US in to the war.

So far there is little evidence that arguments against intervention will carry the day, although Senator Nancy Kassebaum, a Republican who chairs the Senate sub-committee on Africa, has made clear her opposition: "I do not support aid to Unita because of the implications for US policy in Africa as a whole," she said.

This point has already been made to Washington in a formal letter from the Africa group at the United Nations. The prevailing mood in the administration, however, seems to be in favour of intervention. As one Government official put it: "It's a thumb in the Soviet eye."

ADB capital boost to support Baker plan

BY ALEXANDER NICOLL

THE African Development Bank plans a capital increase of between 50 and 100 per cent to help it support a stepped-up lending programme to be undertaken in line with the US-sponsored Baker plan to ease developing country debt proble \‑.

Mr Babacar N'Diaye, the multilateral agency's president, said in London yesterday he hoped to structure the increase, from the current level of $6.4bn, without placing too great a burden on hard-pressed African member countries. The proportion of paid-in capital could be reduced from 25 per cent, perhaps eventually as low as the levels of less than 10 per cent at some other multilateral lending banks.

He said the share of industrialised countries in the bank's capital could be increased from 33 per cent, but that such a change would not be contemplated in arranging the next capital boost.

Mr N'Diaye, who was attending the signing of a $350m Euronote facility, the bank's largest ever borrowing, said the proposals by Mr James Baker, the US Treasury Secretary, to channel new funds to large debtor countries were a positive sign. The need to increase the means of multilateral institutions was being recognised, he said.

He believed, however, that small debtor countries should be included in the Baker initiative, rather than only those which have made very large commercial borrowings. He suggested that any country with a debt service ratio of more than 20 per cent should qualify.

As the proposals stand, only the sub-continent's three largest commercial debtors—Nigeria, Morocco and Ivory Coast—would receive financing.

The bank was considering ways, Mr N'Diaye said, to reinforce the economic self-sufficiency of countries bordering on South Africa, which depend heavily on their neighbour's economy.

Syria defends deployment of missile batteries

BY OUR MIDDLE EAST STAFF

SYRIA REACTED angrily yesterday to Israeli warnings about the positioning of surface-to-air missiles close to its border with Lebanon.

Three SA-2 missile batteries have been deployed in recent weeks following the shooting down of two Syrian aircraft by Israeli jets. Israel said that the missiles threatened its reconnaisance flights over Lebanon and particularly the Bekaa Valley, part of which is occupied by Syrian troops.

The Damascus daily Tishrin said it was illogical of Israel to complain about defensive Syrian measures when it repeatedly violated Lebanese airspace and attacked targets in the area. "When the Israelis start screaming that their security is in danger what they really mean is that the security for their aggression is in danger," said Tishrin.

It accused Israel of preparing for further aggression, a claim that was more forcibly expressed in the Lebaneses newspaper Ash-Sharq which said Israel and the US were jointly planning to draw Syria into full scale military confrontation.

However, Mr Yitzak Rabin, the Israel Defence Minister, said yesterday that there was no political justification for his country going to war at this time, and Mr Shimon Peres, the Prime Minister, added that Israel had no interest in military confrontation with Syria.

Gen Mustapha Tlass, the Syrian Defence Minister, repeated in a speech at the weekend his country's long-term determination to achieve military parity with Israel. In an apparent move towards this objective the Syrian Navy has just taken delivery from the Soviet Union of unspecified "new and additional equipment."

Israeli military commanders have in the past voiced concern that Syria may be seeking to develop a submarine force which could pose threats to its coastal towns.

Japan's surpluses set for records despite high yen

BY JUREK MARTIN IN TOKYO

THE JAPANESE current account and trade surpluses are likely to reach record levels in the fiscal year beginning next April, even though exports will progressively suffer from the appreciation of the yen.

The Nomura Resarch Institute, one of Japan's best known economic think-tanks, projects a current account surplus of $52.4bn in fiscal 1986-87, up from an estimated $49.7bn in the current year, and a trade surplus of $55.9bn, up from $55.7bn.

In crude terms, the institute foresees a 2.5 per cent rise in exports to $181.6bn, but adjustment for inflation will, in effect, wipe out this nominal advance. Imports are estimated to rise by 5.5 per cent to $125.7bn.

The forecasts assume that the yen will average 193 to the US dollar in the coming fiscal year, though its appreciation will not begin seriously to affect exports until the second half of the year.

Still, the institute predicts that exports will make no net contribution to overall economic growth in 1986-87. It estimates that gross national product in real terms will grow by only 3.3 per cent, against a Government forecast of 4.6 per cent in the present year.

With business capital spending projected to go up by 4.5 per cent, well below this year's estimated 11.2 per cent growth, the motive forces for expansion appear to lie with consumer spending (up 3.2 per cent against 2.8 per cent this year) and the Government's housing and public works investment programme.

The high yen will, however, provide Japan with further relief from inflation. Consumer prices should rise by only 1.6 per cent against 2.1 per cent this year while wholesale prices, which the institute calculates to have fallen by 2.6 per cent in the current year, should drop by a full 4 per cent.

Last Friday, the government conceded that GNP would go up next year by less than 4 per cent. Yesterday, the Ministry of Finance let it be known that next year's budget spending would rise by at most 3 per cent, implying no real fiscal stimulus. A later tax cut remains a possibility, however.

The magnitude of the surpluses is, none the less, likely to worry the Japanese authorities. In Tokyo yesterday, the former US Senate majority leader, Mr Howard Baker, foresaw far stronger protectionist sentiments in the US next year. "It is an irresistible issue," he said.

He therefore felt it imperative that next May's economic summit in Tokyo tackle economic and monetary policies in such a way as to stave off protectionism. He thought President Reagan needed to take "a more affirmative lead" in the trade policy arena.

WORLD TRADE NEWS

US group to sell Brazilian-made VW trucks in N. America

BY JOHN DAVIES IN FRANKFURT

VOLKSWAGEN, THE West German motor vehicle group, has reached a co-operation agreement with Paccar which will allow the US truck company to sell VW Brazilian-made trucks in North America.

WV's headquarters in Wolfsburg said yesterday that the agreement could lead to further joint activities with Paccar, although it did not spell out its ideas.

Paccar will market the medium-weight trucks of between 11 and 13 tonnes gross weight under the US company's Peterbilt and Kenworth badges from the end of 1986. The trucks will be built with some components from the US.

The deal will enable VW to enter the hard-fought North American truck market with experienced local support and provide a further export outlet for VW do Brasil, which is Latin America's biggest motor vehicle concern.

Paccar will be able to extend its model range downwards from its own market segment of trucks over 15 tonnes.

VW do Brasil produces medium- and heavy-weight trucks between 6 and 21 tonnes. The range has been steadily expanded since the West German group took over Brazilian works from Chrysler in 1979.

Although VW has been building up its market share in Brazil, the truck operations has proved a headache in recent years. As part of a rationalisation of its Brazilian operations, VW brought all its car and truck activities together into a single company last year.

VW said yesterday that earnings at its Brazilian operations this year were "unsatisfactory," but with the economy showing signs of recovery, both its car and truck businesses had been picking up.

The Brazilian subsidiary is 80 per cent owned by VW, with 10 per cent owned by Kuwait and 10 per cent by Moneiro Aranha, a local company.

One of the Brazilian company's recent successes in export markets was a deal to supply 1,000 trucks to China.

Australia picks Swiss aircraft as trainer

By William Dullforce in Geneva

THE SWISS Pilatus PC-9 aircraft has been selected as the primary trainer for the Royal Australian Air Force, Canberra confirmed yesterday.

Pilatus said final negotiations would start shortly for the building under licence in Australia of 69 PC-9s. The cost is estimated to be between SFr 350m and SFr 400m (£115m-£132m).

Australia may buy more of the Swiss aircraft later to replace some of their Italian Macchi 236 jet trainers.

The single-engined, turbo-prop Swiss aircraft competed with the British-Brazilian Short-Embraer trainer, of which Britain recently ordered 130 for the Royal Air Force, although the RAF had expressed a preference for the Swiss aircraft.

The Pilatus PC-9 was also the primary trainer chosen together with Britain's Tornado and Hawk trainer in the deal, for which Saudi Arabia recently signed a letter of intent with British Aerospace. This would involve 30 PC-9s.

DISCUSSIONS ON COLLABORATION MAY TAKE THREE MONTHS

CGE set to resume telephone talks

BY DAVID MARSH IN PARIS

COMPAGNIE Generale d'Electricite (CGE), the French state-owned electronics conglomerate, will be restarting talks in the next week with American Telephone and Telegraph and Philips aimed at drawing up a full-scale collaboration accord for signature after the French general elections next March.

The French Government has partly lifted its objections to the deal, under which AT&T/Philips would be given access to 16 per cent of the French public telephone switching network.

Mr Georges Pebereau, chairman of CGE and its Alcatel telephone subsidiary, said that translating the memorandum of understanding signed between the three companies in June into a firm legally-binding accord could take about three months.

Reflecting the highly-charged political implications of allowing AT&T a foothold in the French public switching market, Paris has been delaying further negotiations on the deal since the summer.

However, Mr Laurent Fabius, the Prime Minister, has allowed the Direction Generale des Telecommunications (DGT), the French telecommunications authority, to go ahead with talks with AT&T/Philips on the financial and technical details of buying the group's digital telephone exchanges.

Mr Pebereau made clear that completion of the CGE and AT&T/Philips accords would be subject to the successful outcome of the DGT negotiations. It would also depend on separate talks over the future of the troubled French telecommunications supplier Compagnie Generale des Constructions Telephoniques (CGCT).

Mr Pebereau accepts that any accord resulting from complex negotiations over the next few months will have to be approved by the Government which emerges after general elections on March 16. Signature, therefore, would take place only afterwards.

The memorandum of understanding signed in June envisaged AT & T/Philips taking over the 16 per cent share of the French public switching market held by CGCT. In return, AT & T would give technical and logistical support to Alcatel's efforts to market its E10-S digital switch equipment on the deregulated US market. In addition, AT & T and Philips would set up a joint venture with CGE, under Alcatel's leadership, in microwave transmissions. This would make the French group second in the world position in this sector, boosting its expertise in growth areas, such as statellite communications.

Crucially, Mrs Edith Cresson, the Industry and Trade Minister, has asked CGCT to shelve efforts to find an alternative solution to its problems through an alliance with L. M. Ericsson of Sweden, along with other French and European groups.

The Government had been asking CGCT to look at the possibility of manufacturing switch equipment under licence from European groups as an alternative to a link-up with AT & T/Philips.

Laura Raun adds: A potential 16 per cent of the French telecommunications market is believed to mean as much as Fl 370m (£91.6m) a year for AT&T-Philips, which was established in 1983 and is the smallest of the European telecommunications companies in terms of public-switching business. The French market could provide a healthy boost for the American-Dutch joint venture, which expects to move into the black next year after posting a Fl 156m loss last year.

Poland lifts trade with UK despite credit denial

By David Buchan

POLAND has boosted its imports from Britain by 18 per cent to £159m in the first 10 months of this year, and its exports to the UK by even more to £275m, despite the continuing denial of UK official trade credit to the financially beleaguered East European country.

Poland's evident ability to pay for more UK goods on a cash basis could be seen as weakening the case for its repeated pleas to the Thatcher Government to resume the more than £100m trade credits which the UK froze at the time of martial law four years ago and never resumed. Polish officials argue, however, that heavy debt repayments make trade credit more vital than ever.

In Paris today, Polish officials are expected to clarify to their Western government creditors whether they can pay a $550m (£390m) downpayment due this month as a first step to clearing $12bn debt arrears from 1982 to 1984.

With a reduced hard currency surplus this year on trade with the West, though not with the UK, Poland has faced an exceptionally heavy burden in servicing even rescheduled debts to Western banks and governments.

Increased Polish exports to Britain, which Polish officials in London expect to reach £330m this year, have given Warsaw increased hard currency means to pay for more British goods.

But Mr Zygmunt Krolak, the Polish trade counsellor in London, warns that Polish imports from Britain, particularly of capital equipment, will soon be reduced in the absence of "normal" UK official credit.

Warsaw is still pressing for credit for equipment for the nearly-completed PVC plant built at Woclawek by Petrocarbon of the UK and the controversial Massey Ferguson tractor project at Ursus.

Ursus has built 59,000 tractors this year, some 6,000 on licence, with Perkins diesel engines, from Massey Ferguson, but this is far below the target of 75,000 Massey tractors a year by 1981 foreseen in the original 1974 contract.

Ursus officials say they still need a wide range of imports from the UK.

Norway orders missiles from Swedish group

BY KEVIN DONE IN STOCKHOLM

BOFORS, THE Swedish armaments manufacturer, has won a SKr 700m (£63.8m) order from Norway for its anti-aircraft missile RBS70.

Norway has chosen the Bofors missile following fierce competition for the order from the French Mistral and the US Stinga missile systems.

The order will be delivered btween 1987 and 1990. It brings welcome relief to Bofors, part of the Nobel Industries Group, which is facing short time working this winter due to falling order books.

The group has been hit by the cancellation by the US of its Divad anti-aircraft system.

Bofors has signed a long term service contract with the Norwegian army and it is hoping for further orders for air defence equipment from Norwegian coastal artillery and air defence units.

David Brown reports from Stockholm: Saab-Scania, the Swedish automotive and aerospace group, hopes to gain approval to return its SF-340 regional airliner to service in the US during its planned meeting with US civil aviation authorities today.

Swedish authorities lifted a flight ban on the SF-340 at the weekend following installation by Saab and General Electric of the US—the engine manufacturer—of a new continuous ignition system designed to prevent engine "flame out" on all aircraft. Similar bans were then lifted by Norwegian, Swiss and Australian authorities.

Flight bans were imposed last Tuesday as a result of five incidents in the last five months in which one of the aircraft's two engines stopped in mid-air. On each occasion the engine was restarted and there have been no accidents.

Fujitsu and Spanish group in joint venture

THE Spanish telephone company CTNE and Japanese electronics company Fujitsu are forming a joint venture to make medium-sized office computers and electronic data processing equipment in Spain, **Reuter reports from Madrid.**

Under an agreement between the companies, Fujitsu will take a 60 per cent stake in the company while CTNE, which is partly state-owned, will hold the remaining 40 per cent.

Last June, CTNE announced an ambituous drive for expansion in international markets, to be partly funded by share flotations on the London, Frankfurt, Paris and Tokyo stock markets.

Mr Luis Solana, CTNE chairman, said earlier this year that his company needed a computer manufacturing outlet to boost its presence in international markets.

"There is a market for our technology in Latin America, North Africa and the Far East," he said.

Nissan and GM set for link-up

BY JUREK MARTIN IN TOKYO

THE Nissan Motor Group and General Motors of the US have moved closer to the creation of a joint venture for the production of the next generation of air compressors for vehicles in Japan.

Nihon Radiator, in which Nissan has a 39.8 per cent stake, and Harrison Radiator, a GM parts division, hope to be able to reach broad agreement by next spring on the project which could be capitalised at about Y10bn (£35m). It is intended that the Japanese partner would hold 51 per cent of the equity and provide the predominant share of management.

Air compressors are used principally in air conditioners, which reduce petrol mileage. GM is understood to have developed a more efficient air compressor. Nippon Radiator has been working along similar lines.

However, Nissan said there was "no fact" behind local published reports that the project was the harbinger of more extensive co-operation for the co-production of a wide range of car parts and components between Nissan, the second largest Japanese car company, and GM, the US leader.

"Above and beyond this venture," it said, "there are no plans for the joint production of components with GM. The Japanese Press had suggested that the two companies planned joint research and development, and possibly production, of electronic and other parts to be used in the cars of the future.

It is planned to have the joint venture under way by the end of 1987. An initial production target of 100,000 units is planned, with most of the initial output shipped to the US.

Regardless of Nissan's denial of mooted wider co-operation, GM has been quietly pursuing a policy of making greater use of Japanese production techniques.

Hitachi to make VCRs in US

BY OUR TOKYO STAFF

HITACHI has become the latest Japanese electronics concern to announce plans to produce video cassette recorders (VCRS) in the US.

The company said yesterday it might be the first to start production. It is to convert, at a cost of $1.5m (£1.06m), part of its existing TV assembly plant in Anaheim, California.

Hitachi said yesterday that the facility will have an initial capacity of 100,000 units a year, but that this could rise to 500,000-600,000 by the fourth or fifth year of operation. The first sets should be in production by June next year, apparently ahead of Matsushita Electric, whose start-up date is scheduled for the end of next year.

The company acknowledged that trade friction with the US was a factor in the decision, though it said that in the early stages almost all parts and components would have to be imported. The company plans 50 per cent local procurement eventually.

Hitachi added, however, that it was the company's philosophy to produce in the largest markets. Now that the demand for VCRs in Europe appeared to be settling down, the US was the next logical place for investment in production.

Czechoslovakia and China agree trade pact

By Patrick Blum in Vienna

CZECHOSLOVAKIA and China have agreed to increase substantially their bilateral trade following a visit to Prague last week of Li Peng, deputy chairman of China's state council.

At the end of his visit Li Peng signed a trade agreement under which exchanges between the two countries are set to reach SFr 5bn (£1.6bn) in the next five years. It was also agreed that trade exchanges would reach SFr 953m during 1986, 15 per cent up on 1985—the Czechoslovak news agency CTK says.

Under the agreement Czechoslovakia will sell a 1,000 Mw thermal power plant to China, supply equipment for a gas plant, help in rebuilding some of China's fertiliser factories, and export Tatra and Liaz lorries, machine tools, textile machinery and other engineering products.

In return Czechoslovakia will import cotton, rice, soya beans, raw materials, tungsten concentrates, textiles, footwear, bicycle parts, tyres, car batteries, electrical products and ships from China.

AMERICAN NEWS

Liberal Party's success is a setback for Mulroney Government, reports **Bernard Simon**

Provincial poser for Canadian Conservatives

THE NEW provincial Liberal Government in Quebec, sworn in last week, is only one of several problems which are making life difficult for Canada's Progressive Conservative Prime Minister, Mr Brian Mulroney.

Mr Mulroney trounced the federal Liberal Party in general elections last year in a vote which many thought could change the Canadian political map. But since then, the Liberals have taken power in the country's two most important provinces, forming a minority government in Ontario in June.

When Mr Mulroney came to power in September, 1984, a majority of the 10 provincial premiers were also Tories, which aroused hopes of an end to the constant bickering between federal and provincial Governments. The federal Tory success in Quebec at that election also promised an end to tension between Ottawa and the French-speaking province.

A pall has now been cast on both hopes, however. A recent conference between Mr Mulroney and the provincial premiers produced fundamental differences, and the return of Mr Robert Borassa's Liberals in Quebec puts in doubt the durability of the Tory advance there in federal politics.

Shortly after the Quebec provincial election, a Gallup poll indicated that popular backing for the federal liberals was within four points of the Tories. Support for Mr Mulroney's government, polls indicate, had slipped from 54 per cent to 40 per cent.

The failure of two Alberta banks in September and the resignation of a Cabinet minister over the appearance on supermarket shelves of a batch of rancid tuna had contributed to a widespread perception that the Tories were accident-prone.

Meanwhile, the Government has found itself in the middle of a batch of difficult economic issues. Mr Mulroney's plan to seek a free trade agreement with the US, for instance, has fanned a lively debate on the threat which easier access for American products and services may pose to domestic industry, to employment and to Canada's "cultural identity."

Opponents of free trade have been given further ammunition with the announcement this month that De Havilland, the loss-making commuter aircraft maker, was to be sold to Boeing.

Critics of the C$155m (£76m) deal are concerned that

Brian Mulroney . . . low profile

Boeing paid too little for De Havilland (which has soaked up C$640m of taxpayers' funds in the past four years), and fear that the Americans will turn one of Canada's most innovative companies into another US branch plant.

The Mulroney Government also faces difficulty over the issue of public spending cuts to contain the yawning budget deficit. Canada's budget shortfall is equal to around 8 per cent of gross national product, proportionately double the US deficit. Next year's budget, to be presented to Parliament in February or March, is widely viewed as one of its last opportunities to announce a tougher policy

Although Canadians tend to shy away from radical change, there is widespread disappointment in the business community with the Tories' failure to take full advantage of the overwhelming mandate

Only in the fields of foreign investment and energy has the new Government acted decisively to implement more business-oriented policies. Punitive taxes on energy producers are being abolished and curbs on foreign investment have been eased.

In the past few weeks Mr Mulroney appears to have been trying to reverse the impression that the Government is drifting, insisting that Boeing's investment in De Havilland is in the best long-term interests of the company.

The normally extrovert Prime Minister has kept an uncharacteristically low profile in an apparent effort to present a more statesmanlike image. Cabinet Ministers have taken the heat off Opposition attacks in Parliament.

Mr Mulroney's Government is in no immediate danger—it has a substantive parliamentary majority and need not hold a general election until 1989. But given the slide in its federal popularity, it cannot be happy with provincial developments.

Although the issues in the provincial elections were mostly local, and federal and provincial branches of the Liberal Party often do not see eye to eye, Mr Mulroney would almost certainly prefer not to have to deal with Liberal Governments in the two main provinces.

But Mr Mulroney will need Mr Bourassa's support in the free trade talks and in negotiations to secure Quebec's agreement to the 1982 Canadian constitution. The former Parti Quebecios Government in the province declined to sign the constitution four years ago after failing to win a right to veto amendments.

Mr Mulroney, himself from Quebec, would score a major triumph if he managed to conclude a constitutional agreement with his home province.

But last year's enthusiastic predictions that Canada at last had a government in Ottawa with sufficiently widespread support to defuse federal-provincial tensions and retain the backing of a majority of both main language groups, French and English, are no longer heard.

Brazil offers to negotiate on failed banks' debt

By Peter Montagnon, Euromarkets Correspondent

BRAZIL'S Central Bank President, Mr Fernao Bracher, has offered to negotiate with international banks on the $450m (£317m) foreign loans of three domestic banks that failed last month.

The Brazilian Government's initial refusal to honour in full the debts, known technically as Resolution 63 loans, caused a storm of protest from creditors worldwide and threatened to undermine future rescheduling talks.

Now, however, Mr Bracher says Brazil is willing "to study any additional arrangement, within the limits of our authority, which might be on a case by case or global basis, and may also include discussions of the treatment of the outstanding Resolution 63 loans with other banks."

His remarks were conveyed to 560 bank creditors by telex following last week's talks with major banks in New York at which negotiations began on a restructuring of debt falling due this year and next.

In the telex Mr Bracher reaffirmed Brazil's refusal to contemplate an International Monetary Fund adjustment programme and painted an optimistic picture of the Brazilian economy, saying that total foreign debt should decline slightly this year from $103.4bn to $99.6bn and further to $99.2bn in 1986.

The forecast assumes that the strong trade performance over the past two years will continue in 1986 with exports rising 5.2 per cent to $26.5bn and imports by $1.2bn to $14bn.

That would leave Brazil with a current account balance of payments deficit of $600m next year compared with one of $700m in 1985, assuming that Libor, the key Eurodollar interest rate, averages 9 per cent, he said.

He warned, however, that Brazil's ability to generate such a large trade surplus would be jeopardised if banks started withdrawing short-term trade credit and money market facilities from Brazilian banks. These facilities, totalling $16bn, are expected to be renewed when they expire on January 17.

US Steel sets up venture project with South Koreans

US STEEL said it agreed to establish an equally owned joint venture with Pohang Iron and Steel of South Korea to own, operate and modernise US Steel's Pittsburg, California, works and market sheet and tin products in the western US, **Reuter reports from Pittsburg.**

The company said the enterprise would be organised under a management board comprised of an equal number of representatives from both companies. Present employees at the plant and at US Steel's West Coast sales offices will become employees of the venture.

It said present plans call for the new venture to invest more than $300m over the next four years at the mill to modernise and expand operations for producing cold-rolled sheets, galvanised sheets, tinplate and tin-free steel.

US Steel said formation of the venture and the associated plant modernisation are "expected to assure existing employment at the Pittsburg plant well into the next century."

The company said the agreement provides for US steel to supply hot-rolled steel coils from its Geneva plant near Provo, Utah, "as required, until almost 1990," for finishing by the joint venture.

It said the formation of the venture is a "necessary step to maintain a long-term competitive position in the Western market, which is now supplied mainly by imported steel, despite efforts by domestic producers to enforce fair trade laws and to improve quality and reduce costs."

Reagan expected to veto textiles protection move

BY NANCY DUNNE IN WASHINGTON

PRESIDENT Ronald Reagan is expected to veto by today the controversial legislation which would have given protection to textiles, clothing, footwear and copper.

The failure by the President to veto the measure by today would allow it automatically to become law if, as expected, Congress is still in session. If Congress were to disband by then, the President could "pocket veto" the measure by simply not signing it, but this action has become consitutionally suspect and is not expected.

Sources in the Administration said the President was scheduled to veto the legislation at the end of last week, then explain why in his regular Saturday radio address. However, the officials reportedly fell into a dispute over one section of the President's message in which he was to promise a very tough negotiating stance on the Multi-Fibre Arrangement (MFA) to be renegotiated this year.

Flight union rejects demands by TWA chief

THE Trans World Airlines Independent Federation of Flight Attendants said it will not accept the demand for concessions made by Mr Carl Icahn, the Wall Street investor who is in the processo f taking over the airline. **Reuter reports from New York.**

The union said in a newspaper advertisement that since August its 7,000 members had been offering concessions equal to 15 per cent of salary, matching or exceeding reductions Mr Icahn has obtained from "all other comparably paid" TWA employees since he stepped in earlier this year.

The union did not specifically say it would strike if Mr Icahn did not agree to settle on union terms, but said "if you do not accept our offer and continue to insist on flight attendant concessions that nearly triple those made by comparably-paid employees, we will have no choice."

Recession may strike US in 1987, say economists

THE US should enjoy slightly better economic growth next year but a recession looms as a growing possibility in 1987, American business economists said yesterday, **AP reports from Washington.**

The National Association of Business Economists, an organisation of leading economists employed by private institutional and government bodies, said its latest poll of 300 of its 4,000 members found an overwhelming 85 per cent believe the country will be in recession by the end of 1987.

Only 15 per cent of those polled believed the current recovery, which is now entering its fourth year, would survive into 1988 or beyond.

The economists also expressed little confidence in the legislation Congress passed last week requiring a balanced budget by 1991.

A substantial majority, 59 per cent, said they did not believe the balanced budget Bill was an effective way to reduce soaring federal budget deficits and many believed budget cuts or tax increases might actually push a weak economy into a recession.

Among the forecasters contained in the group's latest survey:

- Economic growth (GNP) will increase 2.9 per cent in 1986, up on the expected 2.5 per cent rate this year, but far below the 6.8 per cent expansion in 1984. The Administration is forecasting 4 per cent next year.
- Inflation will remain in check, with consumer prices rising 4 per cent rate next year, up only slightly from the expected 3.5 per cent increase this year.
- Unemployment will remain unchanged averaging 7.2 per cent in 1986, the same as 1985.
- Interest rates, as measured by the benchmark prime rate, will end next year where they are now, at 9.5 per cent.
- Recession will begin according to 37 per cent of the economists surveyed, sometime in 1986, while 46 per cent said 1987 was the likely starting point.

Banks in France respond positively to debt initiative

FRENCH commercial banks have issued a generally favourable reply to the proposal of Mr James Baker, the US Treasury Secretary, to ease the debt burden of developing countries, the French Banking Association said yesterday, **AP-DJ reports from Paris.**

An official of the Bank group said the reply was sent to the International Monetary Fund (IMF) at the weekend. He said the response was positive, although French banks did express reservations on some points of the Baker proposal, which is designed to boost commercial lending to developing countries by $20bn over three years.

French banks objected to the proposal that there be a list of countries to be targeted for new loans. They would prefer to see additional lending spread wider on a case-by-case basis.

French banks are more heavily exposed to African countries that are unlikely to figure on the list, as opposed to the big Latin American debtors which are expected to be the main recipients of new funds.

French bankers said they also would like to see US commercial banks take a larger share of new lending than the $7bn envisaged under the Baker plan.

UK NEWS

Range Rover prepares US launch in 1986

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL'S LAND ROVER subsidiary announced yesterday that its luxury four-wheel-drive vehicle, the Range Rover, was to be launched in the US.

A new, wholly owned subsidiary, with its headquarters in Saddlebrook, New Jersey, has been set up by Land Rover-Leyland, the commercial-vehicle division of the state-owned BL group. Now the search is on for top-class dealers.

Range Rover of North America Inc will initially attempt to attract about 60 dealers from among those selling prestige European models such as Jaguar, Porsche, Mercedes and BMW.

It hopes to have enough dealers in place to launch the Range Rover late next year, or early in 1987, and to sell between 3,000 and 4,000 in the first 12 months.

That compares with total Range Rover output of 11,897 last year and the record 12,181 in 1983. The vehicle has its own production line at Land Rover's Solihull, West Midlands, factory on which about 600 are employed.

In the UK the Range Rover costs about £15,000 before taxes, but the US price is likely to be half as much again and above $30,000.

Land Rover says the decision to launch into the US follows the most extensive market research in the company's history. It lasted well over two years.

That also led to a detailed engineering programme to develop the vehicle to meet the special needs of the American luxury vehicle buyer.

The steady upgrading of the Range Rover sold in Western Europe in recent years has been in preparation for the US introduction.

The vehicle is now available with four doors, has a fuel-injected engine, offers the option of a four-speed automatic gearbox as well as having a much higher level of interior trim than when the progamme began.

The research showed that luxury four-wheel-drive vehicles have particular appeal for women in wealthy families.

Land Rover had that in mind when redesigning the Range Rover's interior styling, when it took weight out of the tailgate and made automatic transmission an option.

Land Rover-Leyland would give no indication yesterday of the start-up capital for the new US subsidiary. A chief executive, almost certainly an American recruited from within the motor trade, will be appointed early in the new year.

However, there is a slight question mark over the venture because BL is currently talking to General Motors, biggest of the US automotive groups, about the possible sale of the Land Rover-Leyland business to GM.

If the Range Rover launch goes ahead it will mark Land Rover's re-entry to the US after an absence of 15 years.

The Land Rover utility vehicle was withdrawn because the company was not willing to spend the money necessary to enable the model to meet increasingly stringent US legislation. The parent group was strapped for cash and, in any case, Land Rovers were in short supply the world over.

Enasa increases Seddon holding

By Our Motor Industry Correspondent

ENASA, the state-owned Pegaso truck company of Spain, has increased its shareholding in Seddon Atkinson, the UK heavy truck builder, by converting a £1.3m interest-free loan to equity.

The Spanish company acquired Seddon in March last year from the financially troubled International Harvester (IH) group of the US.

At that time, Enasa put in £700,000 of share capital and made the interest-free loan available to Seddon. An overdraft due to Barclays Bank and a short-term loan of £4m due to IH's subsidiary in Britain was repaid from finance provided by Barclays which also provided new facilities for up to £2m.

Mr Gerry Woodhead, Seddon's managing director, said yesterday that the latest change was a sign of Enasa's continuing confidence in its UK subsidiary.

He indicated that Seddon's financial position was steadily improving, compared with the past two or three years, and that its truck output this year should be more than the 1,845 for 1984. UK registrations would also be well ahead of the 1,505 last year.

Seddon's workforce of 650 at the Oldham factory in north-west England had remained stable since the reorganisation in 1983, he added.

Mr Woodhead maintained that Enasa and Seddon were working "in ever-closer co-operation to develop their product ranges further and to strengthen their place in the UK market, building on market share gains made in 1985."

Komatsu move, Page 8

Labour calls for City markets commission

BY PETER RIDDELL, POLITICAL EDITOR

A SELF-STANDING statutory commission should be established to regulate City of London financial markets, including Lloyd's, Mr Bryan Gould, Labour's trade spokesman, urged last night.

Mr Gould set out Labour's alternative approach to the Government's Financial Services Bill due to be published on Thursday.

He said that Labour would table amendments to the bill designed to convert the Securities and Investments Board (SIB), the main new regulatory body, into a fully statutory organisation, "along the lines of the highly successful commissions which operate in Ontario and Australia."

There would, he said, continue to be a role for self-regulation within the appropriate statutory framework of an expert commission which would be self-standing and independent of those being regulated.

Mr Gould said that Labour would "certainly press for Lloyd's to be included in the bill and, with the support of an increasing number of Conservative backbenchers, that pressure may well prove irresistible."

The Government has argued that the bill is inappropriate for dealing with Lloyd's.

Mr Gould argued that while its insurance business is already supervised, it is as an investment institution that Lloyd's must be subject to the same regulation as will apply to other City institutions.

In general, Mr Gould said that the proposed structure in the bill would be confused and cumbersome and would result in an unnecessarily elongated chain of regulation and considerable uncertainty.

He said that it had almost certainly been overtaken by majority City opinion which now recognised the desirability, or at least inevitability, of a proper statutory system of regulation.

In particular, Mr Gould argued that the SIB needed the power to call in a self-regulating organisation, to discuss with it desirable changes in its rulebook, and to insist on changes in the rulebook where necessary.

French group backs Channel Expressway

By Andrew Taylor

SCREG, the French construction group, has thrown its weight behind Channel Expressway, one of four groups bidding to build a fixed link across the English Channel.

The French group, which includes Dragages et Travaux Publics, the civil engineers, among its subsidiaries, has been appointed to project-manage the French half of separate road and rail tunnels proposed by Channel Expressway.

Screg has also agreed to join the concession group but it is not clear what, if any, equity stake it will take in the venture.

Channel Expressway has been criticised for a lack of French involvement in its plans, which have been put forward by Sea Containers, the Bermuda-based shipping group, which owns the British end of the Sealink cross-Channel ferry business.

An announcement yesterday by Sealink British Ferries said that Screg, in addition to its role as French project manager, would also carry out some of the construction work on the road and rail tunnels.

Heseltine shows dissent over Westland rescue

BY PETER RIDDELL, POLITICAL EDITOR

MR MICHAEL HESELTINE, the Defence Secretary, last night raised the political stakes over the future of the Westland helicopter group by continuing to support the European solution to Westland's problems.

That was despite a House of Commons statement from Mr Leon Brittan, the Trade and Industry Secretary, in support of the United Technologies and Fiat rescue.

Mr Heseltine will continue to back the efforts of GEC, the UK electronics group, and British Aerospace, together with continental European aerospace companies, to produce a solution involving a European-designed and built helicopter.

His determination not to acquiesce in Mr Brittan's announcement threatens a continuing Cabinet split and raises questions about the Defence Secretary's political future. Mrs Margaret Thatcher yesterday made known that she strongly disapproved of such differences being openly aired by her minister.

As Mr Brittan told the Commons that he was speaking "on behalf of the Government as a whole," Mr Heseltine and his team of defence ministers made no attempt to disguise their disagreement or their anger, at times shaking their heads.

Labour MPs taunted Mr Brittan over the disagreements within the Government, which allegingly represented a breach of the doctrine of collective Cabinet responsibility.

Most Tory backbenchers, particularly from aerospace constituencies, backed Mr Brittan's statement, although a few wondered whether a European solution might not have been preferable. In general they argued that, given that Westland's problems had been known for some time, such an idea should have been raised earlier.

Mr Brittan argued that the Government's intention had been to give time for the completion of a fair offer by the European companies to Westland. But he noted the view of the board of Westland that the European offer that was finally received was neither firm enough nor attractive enough for it to be recommended to the company's shareholders.

Mr Brittan argued that the Government had ensured that Westland had an alternative European-based offer to consider. But, he said, "as a private-sector company it is for Westland to decide the best route to follow in order to secure its future and that of its employees."

In reply to questions, Mr Brittan pointed out that GEC had become involved only since last Friday and was not a party to the package put before the Westland board then. He said that at no stage of Westland's well publicised problems "did GEC lift a finger to help."

Mr Brittan argued throughout that the proposed deal would give Westland continued scope, in relation to the Anglo-Italian EH101 programme, and in maintaining a helicopter design and development capability in the UK.

Mr Heseltine, however, feels the deal will lead to an eventual takeover of the company by United Technologies and Fiat and, in particular, that the proportion of the helicopters manufactured in Britain will decline over the years.

● Mr Heseltine said last night that his differences of opinion with Mr Brittan over the Westland rescue were in no sense a resigning matter, Bridget Bloom adds.

Mr Heseltine said that he remained committed to encouraging the rationalisation of defence procurement in Europe. The decision to try to put together an all-European solution had been agreed with his cabinet colleagues and it was now up to Westland and Sikorsky to produce the expected details of their deal on Thursday.

Employers propose radical reforms to overhaul tax system

BY MICHAEL PROWSE

A RADICAL overhaul of Britain's tax system was yesterday proposed by a Confederation of British Industry (CBI) working party chaired by Sir Trevor Holdsworth, chairman of GKN, the engineering group.

The working party, which consisted mainly of senior executives from large and small companies, said that tax should be levied on what people spent rather than on what they saved and on people rather than businesses.

It therefore recommended that all savings and investment by individuals should be tax-deductible and that corporation tax should eventually be phased out.

Other radical proposals include the abolition of higher rates of income tax and the introduction of a new standard rate of 40 per cent that would incorporate employees' national insurance contributions; the abolition of mortgage interest relief; and the extension of value-added tax to cover virtually all goods including food.

The working party's tax blueprint also envisages the phasing out of non-domestic rates and employers' national insurance contributions, the scrapping of capital gains and capital transfer tax and the integration of the tax and social security systems, with benefits being paid directly through the tax system.

The proposals, which are not yet CBI policy, were put forward as a long-term goal for the British tax system and as part of a strategy to foster growth and competitiveness. Sir Trevor said: "We do not underestimate the political obstacles, but if we allowed them to influence us, we would have just produced another set of tinkering measures."

The working party said that three criteria underlaid the proposals. The tax system should be "fiscally neutral" – in other words interfere as little as possible with business and personal decisions. Taxes should be borne directly and perceptibly by individuals rather than indirectly by companies. Tax and social security arrangements should together provide effective support for the needy.

The proposed long-term shift from an income to an expenditure based system may not go down well in Whitehall. In his 1984 budget, Mr Nigel Lawson, the Chancellor of the Exchequer, described this type of reform, previously advocated by the Institute for Fiscal Studies, as "wholly impractical and unrealistic."

Trade unions prepare way for reversal of ballot aid policy

BY JOHN LLOYD AND PHILIP BASSETT

THE TUC (Trades Union Congress) is now preparing the ground for a complete reversal of its policy of defiance of the Government's employment and trade union laws, and for a withdrawal of threats to discipline those unions – the engineers' and the electricians' – whose members have voted to accept state aid for ballots.

The TUC's finance and general purposes committee, (F and GP) its inner cabinet, yesterday voted by 10 to 6 to recommend to tomorrow's meeting of the TUC general council a proposal, put up by Mr Norman Willis, the TUC general secretary, that all disciplinary actions be held in abeyance until a conference of senior union officers in early February reviews the specific plank of TUC policy which proscribes the taking of ballot aid.

Mr Willis, in a sombre and determined presentation to the committee, told his colleagues that "if the TUC was to proceed to suspend unions on this issue it would be destructive and contrary to the best interests of the trade union movement."

His support, surprisingly, came solidly from the left – Mr Ron Todd, general secretary of the Transport and General Workers Union, proposed that Mr Willis' plan be recommended to the council – and was backed by Mr Mick McGahey, vice-president of the National Union of Mineworkers and Mr Rodney Bickerstaffe, general secretary of the National Union of Public Employees.

Mr Kenneth Clarke, Paymaster General and an employment minister, welcomed the TUC's decision. Speaking from the Hague, he said: "I can't unterstand why the trade unions have not had the courage to do this some months, if not years, ago. They are obviously impaled on the hook of a ridiculous policy, unpopular with their members."

The TUC's employment and organisation committee will today consider detailed proposals aimed at allowing unions to accept public money to fund their internal ballots. (A confidential 71-page document to be examined by the committee acknowledges the importance of unions clarifying their position towards public financial contributions because of the "strong possibility of a major extension of balloting."

The paper says that any funds accepted by the unions should not be administered in a way or paid on a scale which threaten their independence – but within these caveats puts forward five specific proposals to sanction public funding:

These are: mutual agreement between Government and TUC on the forms of funds available; administration of funds to be "free from day-to-day political control"; funds not so large as to jeopardise unions' continued operation if withdrawn; unions to meet TUC criteria if applying for money via the TUC; TUC advice to be given to unions on "over-reliance" on public funds.

If agreed by the committee the proposals will be put to a further consultative conference in March of union general secretaries and presidents.

The two conferences, in February and March, are likely to replace the current position of total opposition to employment legislation, first adopted in Wembley in April 1982, with one of grudging acquiescence.

The shift in the F and GP, a rapid and unexpected one, is the first formal decision to recognise the increasingly pressing fact that the Wembley principles had become a continuing embarrassment.

The opposition to Mr Willis' radical proposals was led by Mr David Basnett, general secretary of the General Municipal and Boilermakers' Union, and the most vociferous opponent of unions' taking state aid. Mr Basnett told the committee that they should not take decisions on policy on the grounds of votes from two unions.

The electricians' union, the EETPU, announced last Friday that it's 380,000 members had voted 9 to 1 for taking state aid: the Amalgamated Union of Engineering Workers is expected to produce a large majority in favour of doing so on Thursday.

Data communication plans worry BT

BY GUY DE JONQUIERES

THE GOVERNMENT is expected to publish soon proposals to allow much freer competition in the fast-growing UK market for communications services which transmit computer data.

The proposals have aroused anxiety at British Telecom, which has been shown a draft of them. BT fears that they will put further pressure on its tariff structure and result in the loss of some of its most profitable revenues.

The plans are likely to be welcomed by other companies which have been pressing for greater freedom to compete in data communications. These include IBM of the US, the world's largest computer maker, which is keen to expand into telecommunications.

The Government had been expected to publish the proposals last week. But Whitehall officials have told the industry that the announcement had been delayed because of fears that it might disrupt the recent sale to private investors of the Government's remaining 22.7 per cent stake in Cable and Wireless.

Cable and Wireless owns Mercury Communications, which has been licensed to operate a telecommunications network in competition with BT. Mercury is likely to be affected by the proposals, though to a lesser extent than BT.

The proposals, contained in a consultative document drawn up by the Department of Trade and Industry, are intended as the basis of a new policy for licensing value-added network services (Vans). These combine communications and computing to provide a wide variety of information electronically.

The proposals, if adopted, would remove many of the existing restrictions which prevent customers of BT and Mercury from leasing private telecommunications circuits from them and reselling capacity cheaply to other users.

The planned relaxation would apply to data communications, but not to voice telephony. Although data communications accounts for only about 10 per cent of total UK traffic, it is the fastest-growing part of the telecommunications services market.

Telecom dilemma, Page 8

Manufacturing output trend remains flat

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S manufacturing output showed a small rise in October, but the underlying trend still appears relatively flat.

The Central Statistical Office (CSO) said that its index of manufacturing production rose by 0.8 per cent during the month after a smaller 0.2 per cent rise in September.

During the latest three months, however, regarded by government statisticians as the best guide to underlying developments, output was little changed from the three months to July although it was 2 per cent higher than a year earlier.

The figures, taken with recent evidence of a downturn in exports, appear to confirm the dampening effect that the strength of sterling has had on the manufacturing sector since early in the year.

In its autumn statement on the economy last month the Treasury forecast that manufacturing output would grow by 2.5 per cent this year, significantly less than the 4 per cent rise seen in 1984.

On a sector basis output rose by 2 per cent over the last three months in the food, drink and tobacco and the textile and clothing industries. In contrast, the output of chemicals fell by 1 per cent.

The CSO's figures for overall industrial production show a 0.3 per cent fall in October after a 1.7 per cent rise in the previous month.

Between the two latest three-month periods output rose by about 0.5 per cent to stand some 5.5 per cent higher than a year earlier, but this was partly due to the rebuilding of coal stocks after the end of the miners' strike.

If the impact of the strike is excluded, industrial output was around 2 per cent above the same 1984 period.

The official index of industrial production stood at 108.8 in October compared with 109.1 the previous month while the index of manufacturing output stood at 104.0 against 103.2 (1980 = 100).

Fiscal changes 'will penalise investment'

BY CLIVE WOLMAN

INVESTMENT in plant and machinery in the UK will be penalised by heavier taxes than in most leading competitor countries from next year onwards as a result of the 1984 corporation tax reforms, according to a study published yesterday.

The Equipment Leasing Association, which commissioned the study from the international accountancy firm, Ernst & Whinney, challenged the Government's claim that the 1984 tax changes would put the UK on a par with other countries. The association said UK exporters would suffer, the UK market would become more vulnerable to imports, and foreign investment in the UK would be harmed.

The most important tax change was the Chancellor of the Exchequer's decision in the 1984 budget to phase out the 100 per cent first-year capital allowance. This allowed companies to offset the full cost of new investment in plant and machinery against taxable profits in the year of acquisition. From April 1986, only 25 per cent of such expenditure may be offset in the first year and progressively less in subsequent years.

At the same time, the Government made a concession to industry by cutting the rate of corporation tax in stages from 52 per cent to 35 per cent by next year. However, the Ernst & Whinney study suggests that the benefits of a lower tax rate will outweigh the costs of reduced capital allowances only for investments with very high real (inflation-adjusted) rates of return, well above 5 per cent per year after deducting financing costs.

The favourable comparison of the UK's tax regime made by the Government after the 1984 budget was with only four overseas countries, says the ELA. It adds that the Government overlooked the accelerated write-offs of a high proportion of capital costs and first-year tax credits given by many countries.

UK NEWS

Komatsu plans first EEC production unit

BY JUREK MARTIN IN TOKYO

KOMATSU, the leading Japanese manufacturer of construction machinery, will today confirm that it is making a major investment in a new plant at Birtley on the outskirts of Newcastle-upon-Tyne in north-east England.

This will be Komatsu's first EEC production venture and will probably be its largest outside Japan. It has been brought about in good measure by the EEC anti-dumping action against Japanese hydraulic excavators enacted last July.

Mr Shoji Nogawa, the company's president, is now in London and is due to make the formal announcement at the Department of Trade and Industry this morning. Komatsu officials in Tokyo yesterday refused to comment on the substantive details ahead of the announcement.

Local press reports, which were not denied, said Komatsu would produce oil hydraulic excavators and wheel loaders on a 200,000 square metre site formerly owned by its big international competitor, Caterpillar of the US, which closed its Newcastle operation in September 1983.

Komatsu's move is significant on several counts. As the clear Japanese market leader in construction machinery, trailing only Caterpillar in world sales, its initiative may prompt other Japanese companies to follow suit, especially given the damage to exports to Europe by the EEC's retaliatory action.

In July, the EEC had put on anti-dumping duties ranging from 2.9 per cent to 31.9 per cent on Japanese construction machinery; in the important hydraulic excavator business, the duties were 26.6 per cent. Komatsu, it is understood, intends to sell the total output of its Newcastle plant inside the Community.

Few large Japanese industrial companies have been as reluctant to set up overseas production ventures as Komatsu. Its history has long been as a company with a great preference for supplying foreign markets from its exceptionally efficient and well-managed Japanese factories.

A combination of trade friction and a revival of Caterpillar's fortunes seems to have changed, at least partly, the company's strategy. Earlier this year it announced it was building an assembly plant in Tennessee.

Guy de Jonquieres looks at the latest attempt to sort out a policy conflict

Move to solve telecom dilemma

THE new consultative document on value-added network services (Vans), which the Department of Trade and Industry (DTI) is expected to publish soon, is the latest attempt by the Government to reconcile an awkward conflict between the objectives of its telecommunications policy.

Vans are a new type of business combining communications and the power of computers to provide a wide variety of information services.

Examples already in operation include electronic mail systems such as British Telecom's Telecom Gold, videotex information networks and electronic reservation and billing services.

Although the UK Vans market is the most advanced in Western Europe – more than 600 services have been licensed – it is still quite small. But it is expected to grow fast in the next few years and is attracting keen interest from a wide range of companies.

They include BT, UK computer maker ICL and large US groups such as IBM, the world's largest computer maker, and Electronic Data Systems, a subsidiary of General Motors.

The Government's problem is how to encourage the rapid development of Vans without breaching its commitment to protect the revenues of BT and Mercury Communications, a subsidiary of Cable and Wireless.

The Government has said that competition in the transmission of telecommunications traffic will be restricted to the two companies until mid-1989.

The problem arises because rapid technological change makes it very hard to distinguish clearly between telecommunications services, such as Vans, and the transmission of information on communications networks.

Vans suppliers lease private lines from BT and Mercury for a flat fee and could undercut the two carriers by reselling some of their circuit capacity cheaply to other users.

At present, the Government tries to prevent this by only licensing Vans which conform to certain published criteria. This policy has been widely criticised as rigid and bureaucratic, and Vans suppliers have been urging the Government to simplify the rules.

The issue was given a further twist 18 months ago when BT and IBM proposed jointly to launch a sophisticated type of computer communications system for large companies called a managed data network.

The Government vetoed the project on competition grounds but also promised to review its whole licensing regime.

Its review led to a consultative document published last June. This was widely criticised by Vans suppliers as unwieldy and unworkable.

There was a chorus of complaints led, ironically, by IBM that the proposals would have given an unfair advantage to BT by allowing it to subsidise its Vans businesses from its telephone network revenues.

The test proposals largely reverse the Government's earlier position. It plans now to allow the almost unrestricted resale of private circuit capacity for the transmission of computer data, although BT and Mercury would retain their "duopoly" over traditional voice telephony.

Under the new rules a Vans supplier could, for instance, lease from BT or Mercury a private circuit linking London and Manchester and use it to carry computer data for customers at a fee. The circuit could be connected with the BT and Mercury dialled telephone networks at one (though not both) ends.

This marks a major advance for liberalisation and a success for heavy lobbying by IBM, which is keen to expand into telecommunications. Like other large suppliers with Vans revenue of more than £250,000 a year, IBM would still be subject to special conditions aimed at preventing it from establishing a dominant market position.

But the proposals are causing acute anxiety at BT. It fears the new rules may result in loss of profitable revenues by encouraging many of its larger business customers to club together to lease private circuits and bypass BT's public network.

BT also argues it will be handicapped because, unlike most other Vans suppliers, it will be required to offer such services nationwide.

The latest proposals also contain tougher curbs on BT's freedom to cross-subsidise Vans out of network profits.

The outlook is less worrying for Mercury because it has less to lose and could even benefit from the freedom to lease private circuits from BT and sell capacity on them to its own customers.

Mercury is still building its own network and does not plan to start a full dialled telephone service until next spring.

The proposals, if adopted, could put pressure on both BT and Mercury to cut tariffs for their public network services to make it less attractive for their customers to use private circuits.

That could result in a short-term revenue loss. But the Whitehall view is that this should be compensated by the much faster growth of data traffic which the proposals are designed to stimulate.

Plan backed to help small airlines start new European routes

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE Civil Aviation Authority (CAA) has now recommended to Mr Nicholas Ridley, Secretary for Transport, that seven independent airlines should be given financial help by British Airways to start 13 new European short-haul routes.

Under this scheme, first announced in the Government's White Paper (policy document) on airline competition policy a year ago, BA is prepared to give each independent airline concerned up to £450,000 for each new route it starts, over a three-year period. A total of 15 new routes is envisaged involving BA in an outlay of £6.75m.

The aim is to encourage the smaller independent airlines to start routes to the European continent from regional airports, preferably to destinations not served by BA even though it may fly from those airports.

The airlines and routes recommended for the BA cash grants are: Ace Aviation (Glasgow to Brussels and Hamburg); Air Ecosse (Glasgow to Dublin); Air Europe (Manchester to Gibraltar); Birmingham Executive Airways (Birmingham to Amsterdam, Düsseldorf, Frankfurt and Stuttgart); Connectair (Manchester to Rotterdam); Dan-Air (Manchester to Amsterdam, Oslo and Stockholm), and Euroair (Aberdeen to Esbjerg, Denmark).

The CAA says if the necessary traffic rights can be obtained from the foreign governments involved, a further two routes could be added from a "reserve list."

In order of priority, this list includes Ace Aviation (Glasgow to Gothenburg); Birmingham Executive Airways (Birmingham to Oslo, Stockholm and Gothenburg); and Suckling Aviation (Manchester to Amsterdam).

Overall, the view is that for most of the new routes now recommended there should be little difficulty in obtaining the necessary reciprocal rights.

In any event, these are not needed for the routes to the Netherlands and Belgium under the "open skies" agreements between the UK and those countries, but winning such rights could be more difficult for the Scandinavian countries.

● Local authorities in south and south-west London, between Gatwick and Heathrow airports, are stepping up their campaign to prevent any continuation of the helicopter link between the two airports.

The public hearings by the Civil Aviation Authority into the application by British Caledonian Airways for a continuation of the service beyond the currently planned expiry date of February 6 next year are due to be completed this week.

The CAA will then consider the mass of objections to the heli-link and will make recommendations to the Secretary for Transport, Mr Nicholas Ridley, whose decision on the matter will be final.

Mr Ridley has already made it clear he wants to see the heli-link ended by February 6, four months after the final sections of the M-25 motorway were completed, ensuring swift surface connections between the two airports.

Mr Ridley has told the CAA that any licence that it may give to British Caledonian Airways to continue operating the heli-link will not become effective until he has taken a final decision.

In the meantime, 13 local authorities in the south and south-west of greater London, including the Greater London Council itself, have set up a body called the Consortium Against Heli-link, and are this week distributing 150,000 leaflets to householders under the proposed revised flight paths of the link, urging them to write to the minister and their MPs urging its rejection.

British Caledonian, which is fighting for retention of the link, argues strongly that it has already produced some £100m of revenue through additional traffic for the airlines using both airports, and that it is now an indispensable part of the UK civil aviation scene.

The motorway link, via the M-23 and the M-25, still can take up to two hours between the two airports, depending on traffic conditions and the heli-link is thus much faster and preferred by many passengers making inter-airport connections.

Inquiry starts into Boeing wing flap

BY OUR AEROSPACE CORRESPONDENT

AN INVESTIGATION has been started in the US by the Federal Aviation Administration (FAA) into how a large piece of a British Airways Boeing 747 wing flap fell off as the aircraft approached Boston's Logan airport on Sunday, with 271 passengers and crew aboard.

The aircraft landed safely. The flap section, 4ft by 12ft, fell on a house and a parked car and caused no injury. But the potential for injury is regarded by the FAA as having been considerable and a full-scale investigation is planned. The aircraft is grounded at Boston until the investigation is completed.

BA yesterday sent several of its own engineers to Boston. The UK's accident investigation branch of the Department of Transport has sent observers. The UK Civil Aviation Authority is also involved, through the UK's mandatory incident reporting procedures.

BA said yesterday that preliminary studies showed that the flap, from the inside left wing, damaged the tail cone of an engine as it detached itself from the aircraft.

Engineers have to determine whether the incident indicates a weakness in the 747's wing flaps that requires structural modification on all 747s. There are 624 of the aircraft in service worldwide.

This is not the first such incident. In January, a passenger on a Pan Am 747 noticed a loose wing panel on a Frankfurt-New York flight. The aircraft dumped fuel and diverted to Heathrow, London.

In August, holes were found in the rudder of a British Airways 747 about to take off from Heathrow with 400 passengers. A month later, two sections of a Trans World Airlines' 747 wheel-well door fell on to a bungalow in Berkshire, England.

Detailed investigations into two 747 crashes this year – the Air India 747 that crashed into the sea off Ireland in June, killing 329, and the Japan Air Lines 747 that crashed soon after taking off from Tokyo in August, killing 520 – are still being made. No formal conclusions have yet been revealed.

Science park to boost business innovation

BY ROBIN REEVES, WELSH CORRESPONDENT

THE £4m Newtech Centre on Deeside Industrial Park in North Wales, described as Europe's largest first-phase science park development, is to be officially opened today by the Prince of Wales.

The centre is designed to accelerate the growth of new industries in an area which has been particularly hard hit by the rundown of steel and textiles employment. It is intended to provide "a total environment for business innovation."

It consists of a £1.8m laboratory complex, offering a wide range of scientific, computer and laboratory facilities, under the aegis of the North-east Wales Institute (Newi) research division, and a range of high-technology factory units built by the Welsh Development Agency (WDA) to create a high-technology campus.

International links have already been forged through the recently-founded European Business and Innovation network and technical collaboration agreements with Japan's Nomura Research Institute and Gumma University.

According to Dr John Allen, Newtech's managing director and dean of Newi's 90-strong research division, over 50 local companies have already drawn upon the centre's specialist equipment, technical consultancy and design services to help to develop their businesses.

Research spending rises

BY DAVID FISHLOCK, SCIENCE EDITOR

TOTAL British government spending on research and development (R&D) is still rising, according to the latest annual review of government-funded research and development. But the review warns of an impending fall in government spending in two years' time.

The review, produced by Sir Robin Nicholson, chief scientific adviser to the Government, and his Cabinet Office science secretariat, estimates an 8 per cent increase in 1984-85, to £4.2bn, and a further 10 per cent increase in the current year to nearly £4.7bn.

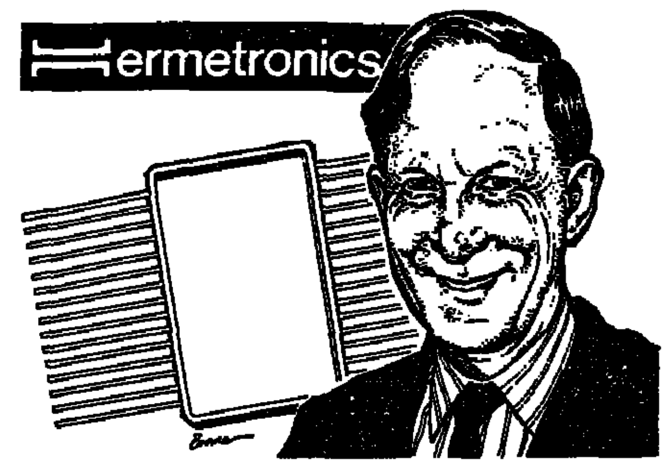
It says the increase represents about 3 per cent above general inflation for 1984-85 and slightly more for this year. Thereafter, the total is likely to decline in real terms, to 4 per cent less than the current level by 1987-88.

There will be a 1 per cent cut in research council expenditures, a 6 per cent cut in contributions from the University Grants Commission and a 13 per cent cut by the civil Whitehall departments.

Defence R&D, however, will have risen from 50 per cent of total government-funded R&D in 1984-85 to 55 per cent by 1987-88. Of this, about 80 per cent is spent on development in direct support of the defence department's procurement decisions.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ



Frank Harper-Jones: raised a second round of finance

A struggle for credibility

William Dawkins on Hemetronic's efforts to become a supplier to large companies

MOST BIG companies at least pay lip service to the idea of supporting small businesses, but when it comes to buying their products, they take a tougher line.

Learning that simple rule can be painful; a fact engraved on the heart of Frank Harper-Jones, 53-year-old managing director of Hermetronics, a maker of protective boxes for microelectronic circuits. For this start-up venture, based at Slough, in Berkshire, came *close to running out of cash* earlier this year because it underestimated how long it would take for some of Britain's biggest defence and telecommunications companies to decide whether to buy its goods. "They just didn't want to take the risk," says Harper-Jones.

Hermetronics only pulled itself back from the brink of disaster by raising a second *round of finance—£500,000—in* September, to add to the £628,000 it had already spent since its formation in April last year. In the process, it became one of the few companies backed by a Business Expan*sion Scheme fund* to have pulled off a rights issue.

The refinancing involved some costly and complicated administrative contortions linked to the legal rights of the several hundred individual investors in the fund. They highlight an important criticism of the BES—that it makes it hard for companies to raise successive rounds of finance.

Of the 448 companies to have received backing through the BES and its predecessor, the Business Start-up Scheme, during the four years to April 1985, 56 have called on their shareholders for more. But as Hermetronics' experience shows, significant penalties are paid by start-ups which underestimate how much initial funding they need to bring them to commercial reality.

"It's a typical situation," says Peter Hyatt, a partner in accountants Neville Russell, which organised the rights issue. "Naturally, start-ups have no track record. That makes many people cautious about asking for what they really need, with the result that they find they are under-funded two years later."

Harper-Jones and his three co-founders established Hermetronics after they failed to stage a management buy-out of their former company, Sintered Glass *Products, a loss-making pro*ducer of glass beads for miniature electric lamps, which belonged to the mini-conglomerate Sale Tilney until it was split up and sold two years ago.

They had for several months *been toying with the idea of* making circuit boxes, or micropackages in electronic jargon. These look like gold-plated sardine tins and are designed to protect circuits that operate in difficult conditions like inside missiles or underwater.

The market was small—£25m for all types of micropackage in the UK, estimates Harper-Jones—but it was fast growing and looked as if it would be receptive to a British newcomer. Most of Hermetronics' competitors are US or Continental European, with the exception of Marconi Osran Valve, a subsidiary of General Electric, Britain's major electronic and electricals group, which sells chiefly to its parent.

That means, he argues, that the *foreign* competitors are likely to be at a disadvantage on the UK front in an industry where customers like to work closely with their suppliers in designing and testing products. Dr Peter Barnwell, a director of the Murray Electronics venture capital fund and Hermetronics' non-executive chairman, explains: "One of the basic problems of the UK electronics industry is that it does not have the infrastructure to support it."

*Hermetronics is just begin*ning to exercise its advantage as a UK supplier. Large electronics companies like Plessey, STC, Ferranti and Welwyn Electric, have confirmed their interest in a UK source for micropackages.

After the obligatory pilgrimage round the City, Hermetronics eventually raised £453,000 in equity from English and Caledonian Investment and the Singer and Friedlander Business Expansion Fund, plus another £175,000 in loan stock from S&F.

Just over £500,000 worth of losses later, the group is forecasting that it will break even by next March or April. To do that, it will have to lift sales from just £132,000 in the six months to November to an annualised rate of around £1m. Current customers include Newmarket Microsystems, part of Cambridge Electronics Industries, and Memory Devices, a US-owned group, which, with another *customer*, takes about half of turnover.

The plan was first to get established by persuading large electronics companies to buy Hermetronics' packages instead of their US equivalents before *moving on to try their appetites* with cheaper glass packages, for which the group now has six prototype orders.

Says Martin Perrin, Hermetronics' finance director: "If you launch straight into the market with a new company offering a new product, that really would be stretching it. So we decided to sell somehting that we knew people would already want so as to build up credibility."

Turning the large electronics companies' interest into business, however, has been a different matter. No potential customer has yet turned Hermetronics down, but Harper-Jones found that their assessment times were far longer than expected.

STC, for instance, demanded 24 package samples for laboratory testing, including a 28-day damp heat and salt spray test as well *as doing its own scrutiny* of Hermetronics' management in an exercise lasting nine months. The reward? Orders worth a mere £40,000, though Harper-Jones expects that to improve substantially in the next year.

The consequences of these delays was almost disastrous. Like any manufacturing company, Hermetronics has little flexibility to cut costs when *orders are low*. About 70 per cent of its £35,000 per month running costs are fixed, while equipment, tooling, research and development and other start-up expenses took £250,000 out of the bank account before it even moved in to its rented emerge by the beginning of this factory.

The first sales started to emerge by the beginning of the year, but not fast enough. By the end of March, Hermetronics had completed its first 12 months with a turnover of £9,720, dwarfed by the £123,570 cost of sales.

By the early summer, it was clear that Hermetronics was about to run out of cash. Yet the management, who had stumped up £50,000 for 25 per cent of the shares in the first round, had no more to put in. S&F's BES fund was fully invested in accordance with its requirement to permit its shareholders to claim full tax relief, and English & Caledonian was understandably unwilling to finance the second round all on its own.

The only way round the problem was to get S&F involved. Since the fund *itself* was unable to subscribe, Hermetronics had to circulate a rights issue prospectus to all 252 individual investors in the S&F scheme. The alternative—to raise money elsewhere—would have diluted the BES investors' stake in the company. That would have contravened the S&F fund's articles.

Another complication was that the five-year limit before which BES investors are not permitted to *sell their holdings* would have to start afresh for the new shares created in the rights issue. Moreover, there was no guarantee that they would take their full allocation, with the result that the prospectus had to be underwritten by the two institutions, who also called in the London & Strathclyde investment trust to support almost half of the issue.

In the event, BES investors took up all but £52,000 of their full £149,000 allocation, with the balance going to S&F and the other institutional investors.

Buy-out funding falters

THE flow of cash looking for management buy-outs contines to increase, though there are signs that fund-raising of this kind of deal might be getting less easy in Britain.

F & C Buy-out Trust advised by the venture capital arm of Foreign and Colonial Management Group, has received commitments for £10m, just half of the maximum target it set when it started marketing the trust in the autumn.

James Nelson, managing director of F &C Ventures said the much larger manage*ment buy-out funds announced* earlier in the year by groups like Candover Investments, Electra Investment Trust and J. Henry Schroder Wagg have taken a tremendous amount ". . . out of investors' appe*tites.*"

His task was made no easier by the fact that F and C is a relatively unknown — though not inactive — player in the management buy-out game; a sign that some of the smaller *buy-out funds still* in the market for cash might also be finding it hard to attract investors' attention.

Nelson, however, is finding it rather easier to pick up deals in which to invest. He *has already lined up three in*vestments and expects to land two or three more by the time the trust closes next month. The trust is participating in a complex \$13.8m (£9.8m) buy-out of Europe's *largest operator of in-store* hairdressing and beauty salons, newly re-named Essannelle Holdings. The deal is unusual because Essanelle's former owner, Seligman and Latz, a US manager *of in-store hairdressing salons* and jewellery boutiques, has itself just completed a \$90m buy-out. Essanelle used to be S & L's internationial division.

Another relative newcomer to buy-outs, Scottish Eastern Investment Trust, is to make up to £20m available for small management acquisitions. The money will back buy-outs arranged by Candover Investments.

Scottish Eastern, which has £240m under management, is looking to back buy-outs where less than £10m on non-bank finance is required. Institutions representing another £40m have made similar arrangements with Candover.

WD

Enterprise agencies

Time for a strategic review

BY WILLIAM DAWKINS

BUSINESS in the Community, the umbrella body for the fast growing enterprise agency movement, is examining closely how it can make its work more efficient.

Mike Hatfield, BIC's new managing director, has pulled in an independent management consultant to study how the organisation should develop without spreading its efforts too thinly or duplicating the work already done by a host of other small business assistance and advisory groups.

It is the first time that BIC has ever scrutinised its own activities in this way. The strategic review will also examine anxieties voiced by a few corporate sponsors over the extent of some agencies' support *for social* rather than business development projects. Hatfield says his investigation will include "a more careful analysis of priorities, which clearly will meet some concerns that have recently been expressed by those involved in the community movement."

Another mark of a new mood of self-appraisal at BIC came last week when Sir Anthony Jolliffe, chairman of City of London BIC, announced that his organisation would merge with the national group in January 1987. This would make City BIC more effective in its assistance for small businesses in inner London, he told the body's second annual meeting.

Underlying both moves is a realisation that after several years of spectacular growth, the enterprise agency movement would now benefit from a more systematic approach—a gospel no doubt preached eagerly by many agency managers to small business clients in respect of their own development plans.

"We cannot expect small businesses to prepare the plans they require . . . if we don't do it ourselves," says Hatfield, appointed six weeks ago to support the chief executive, Stephen O'Brien, as the first managing director of BIC in its near five-year history. The separation of City BIC from the national group had always looked odd, especially as their functions have *increasingly* overlapped. "We didn't want to continue with the outside world thinking that we were operating separately rather than together," says Peter Roberts, a director of City BIC.

One question which Hatfield will be addressing before making preliminary reports to a series of agency workshops next spring is whether it is desirable for the movement to continue its rapid numerical growth for much longer. The agencies have multiplied from a mere handful to more than 250 since the turn of the decade by BIC's reckoning, which is the target set by Lord Carr, BIC's *national chairman*, at the group's foundation. That can only make a strategic review all the more timely.

The agencies have now proved that they make a real impact on small businesses. Success rates among *enterprise agency*-assisted ventures are three to four times higher than the national average, while the movement claims to have saved or assisted in the creation of around 75,000 jobs annually, 16 per cent of all jobs created in Britain in 1984.

"We now have a network in the UK that *is cost effective*," says Hatfield, former managing director of Arthur Guinness (Great Britain), the brewer. The movement is already supported by almost 4,000 public and private sector organisations, so the bottom of the sponsorship barrel could be close. Hatfield fears that if the movement gets too much larger, agencies in different parts of the country will find themselves competing for sponsorship from *the same* people. "The result could be to reduce the support we are getting," he warns.

Other areas due to come under Hatfield's scrutiny include the extent to which the agencies *should improve their* co-ordination with organisations doing similar work, like the Action Resource Centre, which provides managers on loan for community projects, and small business projects run by bodies like the Industrial Society and British Institute of Management. He will also be examining whether the agencies should be providing any new services.

The upshot of Hatfield's *efforts will not be a block-bust*ing report on the future of the movement, he emphasises. Instead, his findings will be gradually filtered through the agencies as they occur, thereby *producing — he hopes —* "evolutionary change." The purpose of the exercise, he adds, "*is* to avoid the danger of growing like Topsy and not seeing the pitfalls."

CoSIRA helps raise £20m

THE Council for Small Industries in Rural Areas (CoSIRA), the publicly funded small business development agency, assisted in the creation or preservation of more than 5,000 jobs last year.

CoSIRA is the main agency of the Development Commission, England's rural development body, which says in its annual report that the number of people employed by the small businesses the council assists *rose by 16 per cent to 88,000* last year. CoSIRA helped small businesses raise more than £20m from the private sector in the 12 months to last March, says the report.

The commission let or sold 291 rural workshops to new occupiers in 1984-85. That is down slightly on the previous year. However 193 units were still in construction at the year-end. Since the start of the commission's workshop construction programme 10 years ago, 1,114 units have been completed.

Last year, the commission approved grants of almost £1.8m for the conversion of redundant rural buildings for small business use, involving more than 1m sq ft of workshop space capable of accommodating 1,800 jobs.

Lord Vinson, chairman of the Commission, writes in the report: "*As political thinking* is becoming dominated by the scale of urban problems, it is opportune that there should be within Whitehall an organisation championing the cause of *those living in the countryside.*"

WD

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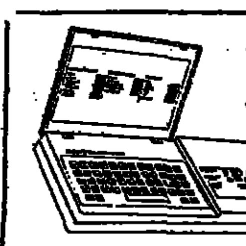

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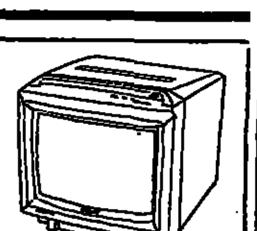

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THE ARTS

London Galleries/William Packer

Stages in a gallery

That so *distinguished* a designer for the theatre as Yolanda Sonnabend should be given the run of the Serpentine Gallery (until January 5) sets an important precedent: theatre design, being supposedly a lesser discipline than painting, is seldom given its due and distinct notice. Here we may see her work in the setting not of the theatre, with all its momentary excitement and distraction, but of the art gallery.

Two of the rooms are given to her paintings, the interior hall to her models of sets and countless drawings for costumes, and the last gallery is all but taken over by an extraordinary installation, full of theatrical jumble and artifice, into which the visitor may peer and wander.

The clear sense throughout the exhibition is of the celebration of a peculiarly romantic sensibility. It is not that romanticism itself is anything unusual in British design for the theatre since the war. But what makes Miss Sonnabend's version so very much her own is its uninhibited extravagance and decorative gusto, which never shrink from the melodramatic or overstated into mere good taste.

Even her simplicity is extreme and demonstrative, and when she comes to overt reference in her theatrical work to particular cultural sources and *material—to the Japanese for* example, the Classical or the Venetian—there is no question that she should accept the obvious restraints of her example. All is put through the mill of her creative response: her Japanese costumes for Kenneth MacMillan's *Rituals* (at Covent Garden in 1975). Japanese in essential feeling while lacking in detail, in material and making, all the expected clarity, order and precision, but being instead deeply expressionist in the direct, free way they were put together for immediate effect.

Her work as a painter gives the key to it all, for in it that innate romantic expressionism is everything, though not always altogether effective or controlled. The best of the paintings are remarkable and authentic works of art, fully achieved, and there is no doubt of the sincerity of her engagement with the rest, nor of her talent. Two in particular, of figures enclosed within ornate catafalques in a church in Prague, are fine and lovely things—but here again, perhaps, there is a clue, if of another sort.

The painting is subject to private discipline alone, the design for theatre to one that is both given and shared—and there is nothing like the imposition of an external responsibility and an unforgiving deadline for bringing the work to *a commitment. Sometimes* the paintings can and do, as the catafalques show, exert through their subject and practical interest their own unselfconscious pressure upon the artist to see the work through to a resolution. Rather too many, however, remain somewhat slack and unresolved, as though the mere statement of the image, powerful as it might be, is enough.

It is in the theatre, therefore, that the substantial achievement lies, in which Miss Sonnabend is most fully engaged and fully stretched. Her potential in that other field is clear enough, and only waits upon her decision to change course. In the meantime there is quite enough to admire and enjoy: the exquisite models and maquettes; the bold certainties and variations of the costume drawings; and the installation that teases close to sculpture, its metal superstructure of poles and trellises beset with tumbled props, fragments of the figure cast from life and a multitude of masks.

*

The National Portrait Gallery's latest offering is a *delightful exhibition of photographs, Stars of the British Screen* (until March 2, then to Bath). The period covered is the last 50 years and though the images from recent years are as strong as any, the cocktail of nostalgic charm and positive quality makes the work of the 1930s and 1940s the more potent. Rather in the manner of the great Hollywood studio *photographers, such as George* Hurrell, whose work has lately become so familiar through the several exhibitions and books of the Kobal Collection, here are all the heroes and heroines of our contemporary popular culture, on and off the set.

But any American comparison is marked more by conspicuous difference than similarity, despite the common ground of subject-matter and celebrity, for here the style is unmistakably British: less glossy than chic, more ironical, indirect and understated, redolent of all the *attitudes and virtues of charm,* discretion and self-effacement which are boasted of so modestly. It is a view of ourselves fixed on celluloid that is entirely middle-class, self-conscious, self-indulgent, sentimental and irresistible.

There they all are: Greer Garson in *Goodbye Mr Chips* Howard in the Scarlet *Pimpernel*, Merle Oberon, *Vivien Leigh, Laurence Olivier* as Hamlet, Margaret Lockwood the Wicked Lady, Celia Johnson and Trevor Howard together in *Brief Encounter*, a very, very young Joan Collins. The photographers are sometimes anonymous, often obscure, all excellent. And how soon it is, we realise with a quiet shock, that nostalgia intervenes, qualifying our vision *and our sense of the past; how* easily even the 1980s fade back into 1970s and the 1950s, and Julie Walters of 1985 is all one with Glenda Jackson, Rita Tushingham, Julie Andrews, Valerie Hobson and Evelyn Laye.

"Self-portrait as a child" (1978) by Yolanda Sonnabend

Vivien Leigh

LCB gala/Sadler's Wells

Clement Crisp

It is difficult to know quite what to make of London City Ballet's gala on Sunday night, staged in the presence of the Princess of Wales, and organised in aid of the company's own coffers. The troupe works hard touring ballet hither and yon, as Beryl Grey, a member of its board of trustees, assured us during the evening, and without Arts Council subvention. Whether the collection of disparate and imported items and artists which made up the programme — which began 30 minutes later than advertised —offers a compelling view of LCB aims and identity I would not care to hazard.

The most considerable piece on view, and rather too long for the occasion was André Prokovsky's *Romeo and Juliet*. This encapsulation of the tragedy is set to Berlioz' music, well arranged by Leonard Salzedo, and is imaginatively and simply designed by Peter Farmer. Prokovsky manages to reduce the action for LCB's modest forces so that we understand the family feuds in Verona rather better than the later inevitabilities of the drama, but it is given with whole-hearted involvement by the company.

Edmund Stripe, a young dancer with LCB, made a promising shot at coping with the nullities of a Philip Glass score in *Continuum*, but after an intelligent first response to this braying wallpaper, he found himself trapped by its excruciating repetitions. Glass does no more than shift the pattern slightly, and Mr Stripe could do no more than mirror his tedious processes. A nice joke came with a Tango apparently concocted at the last moment by the Royal Ballet's Simon Rice for some of his colleagues and teachers, who are seen finding solace in tipple, served *Fawlty Towers* fashion by Jonathan Burrows.

Mr Burrows also has an accordion which is getting the better of him, while Maryon Lane (how good to see her back on stage) was maddened with wine and roses, and Marguerite Porter, *en beauté* in a new hair-style and a fetching black outfit, became very Spanish on a table, beneath which Fiona Brockway started a tiny exploration. Michael Coleman gave us his mad scientist act, and Donald MacLeary and Bruce Barraclough tried to keep their cool. Brief, giggly, it was ideal gala fare.

Not so, alas, the *Winding Road* which Wayne Sleep made for Barian St Claire, five chaps and himself, to Beatles songs which sound mindless in orchestration, nor the Jack Carter *Quodlibet* in which part of a dire piano and wind quintet by Ponchielli ill supported some thin jokes for the company.

Mr Sleep also appeared with Nicola Treherne as Torvill and Dean, but the originals are funnier than any satirising can make them, because serious about their ice-bound banalities. There were whizz-bank performances of the *Don Quixote pas de deux* (by Denise Welten and Petter Jacobsson) and the *Walpurgisnacht* duet (Marian St Claire and Matz Skoog), and a raffle for gifts ranging from an Ethiopian cross to the adopting of an English vine — which sounded as if they were what someone's true love proposed for the 13th and subsequent days of Christmas.

Alastair Muir

Valerie Masterson and James Bowman in the ENO's "Julius Caesar", which opened last night in London. It will be reviewed tomorrow by David Murray.

Berkoff/Donmar Warehouse

Michael Coveney

Alastair Muir

Steven Berkoff

Since last appearing on the London stage in 1983 Steven Berkoff has been consolidating an impressive film career in *Beverley Hills Cop* and *Rambo*. But there is no curing an old ham and in a solo double-bill *of a new piece, Harry's Christmas,* and an adaptation of Edgar Allan Poe's *The Tell-Tale Heart*, Berkoff reaffirms his peculiar virtuoso status within the British theatre as a highly skilled mimetic bovver boy, a sort of Dario Fo in boots and braces.

Berkoff's own plays have often wallowed in the scatological sewerage of an egotistical *fantasy* projection of Him battling furiously and uncompromisingly against Us. The infantilism has been part and parcel of a genuine and highly original theatrical energy. I would hesitate to say that Berkoff is mellowing (any such diagnosis would bring him out in a torrentially abusive rash of denial) but in *Harry's Christmas* he offers a portrait of loneliness that is rather more sentimental than rancorous.

Harry lives alone on a stage laid out like a Cluedo board, "Bath," "Bed," "TV," "Fire" and so on marked off in white strips on a black floor. A paltry collection of seasonal cards is boosted by adding a couple of last year's. Harry dithers between troubling an old girlfriend and resorting to the usual *routine of visiting his* mother. He is someone who has gone no distance at all towards meeting other people and is paying the price. But he is also congenitally unsuited to "fitting in." He is, in short, a Berkoffian archetype, and Berkoff plays him with a sullen ferocity and moodiness that is utterly compelling.

Physical detail is always fascinating in Berkoff. His movement is always of exemplary economy and expressiveness, as when answering a telephone while blinded with cigarette smoke, or crouching on an invisible loo while sourly contemplating the shining faces of children all over the country on Christmas morning. The action of tossing in a troubled sleep or, trance-like, stirring a cup of coffee—these trivial deeds become of momentous theatrical import through the sheer bravura of their execution.

As the haggard old murderer in the Poe story, Berkoff indulges the more extravagant side of his art in white face *and dowdy black tails.* Standing in his victim's room with a lantern, he explains his obsession with the vulture eye and planting pauses of outrageous length before unleashing a surprise word like "sagacity," which makes a word like "creaked" a polysyllabic aria in itself. It is a wonderful display, wicked and unforgiveable, and received, quite rightly, with *great applause* by an enthusiastic audience.

Giselle/Rome

Freda Pitt

A company that is too small to tackle the *great classical* ballets but is determined not to be thwarted in a desire to perform them has three ways open to it. It may just invite guest artists for the principal roles and reduce the contribution of the *corps de ballet*—a common practice. Or it may retain the traditional choreography and change only the setting, as in the Dance Theatre of Harlem's Creole *Giselle*. Or it may prefer to jettison the spirit as well as the letter, as Mats Ek has done in his decidedly odd reworking of *Giselle* for the Cullberg Ballet from Stockholm, which numbers only 18 dancers. The company is a favourite in Italy and drew a large audience to the Teatro Olimpico in Rome.

Somewhat perversely, Ek—*Birgit Cullberg's son*—uses a particularly full version of the score (on tape) while at the same time ignoring the original purpose of the individual numbers, so that for instance, Hilarion takes over much of Giselle's great signature solo in Act 1 as well as some of her Mad Scene music.

Instead of the opening bars being played with the curtain down, they accompany a typically manic, convulsive solo for Giselle, the village idiot, who seems to be despised by the sinister-looking black-garbed villagers, thus straightaway weakening Ek's rather simplistic notion of Giselle as a helpless victim of exploitation by the villainous aristocracy. Hilarion seems to be her keeper or guardian—she is motherless in this production—and his menacing stance in his dark suit and cap as he tied a rope round his erring charge gave him the aspect of a gangster at the beginning, but Yvan Auzely possesses a noble style and features to match once he is bareheaded. He also possesses a remarkable technique, which it would be a pleasure to admire in a different repertory. While Auzely is small and compact, Luc Bouy, the Albrecht, is tall and rather ungainly, looking dissolute rather than aristocratic. Having the gentry prance through the countryside in evening-dress without any justification is just risible.

Ek seems intent on debasing Giselle to the very limit, portraying her as the total negation of *the beauty, ethereal* lightness and unattainable romantic essence of Gautier's fancy. Ana Laguna, an excellent *dancer*, has not only to look crazed but also to wear a repulsive beret with a drab cardigan and skirt. *Nearly* all her movements are wilfully distorted and graceless, including the (barefoot) jumps. Albrecht can no more be held *to have seduced her than to* have driven her to madness, since she is mad already and all but falls on him and begins tearing off his white dress-clothes. It is a murderous attack on Giselle's part, with ludicrous egg-shaped bouncing bolders, rather than a suicide attempt, that leads to her incarceration in the lunatic asylum where the second act *takes place*.

Although the Myrtha-figure is depicted as an authoritarian nun, neither Hilarion nor Albrecht seems to suffer from any restriction as to visiting-hours, and they both come and go, observing the head-bandaged Giselle and her frequently catatonic-looking companions. Ek would have done well to cut at least half of this act, which is insufferably tedious in its repetitiveness and also contains such illogicalities as a *show* of tenderness from Albrecht towards Giselle although he had demonstrated no feeling for her in Act I. Nor in this production are we led to assume that they had met before curtain-rise.

The closing moments take us back to *Marie-Louise De Geer* Bergenstrahle's crudely designed fields, where Albrecht —who has inexplicably lost all his clothes—is contemptuously thrown a cloak by Hilarion.

On a different theme, and with different music, some of the choreography could be welded into an interesting work. Judged by its title, however—even if one accepted the all-pervading ugliness—*the* reworking does not convince, because Ek has not followed his ideas through sufficiently. The hilarious parody of Act 2 performed by the Trockadero Monte Carlo company adheres much more closely to the spirit of *Giselle* than Ek's heavy-footed, naive would-be political allegory.

Jon Kimura Parker

David Murray

Sunday's Elizabeth Hall recital by Kimura Parker, the 1984 winner of the Leeds International Piano Competition, displayed no new virtues beyond what his earlier London performances have shown — it rather confirmed some doubts. To offer a programme of standard works and do justice to none of them might count as a youthful peccadillo (Parker turns 26 next week), but it was dismaying to find no evidence of an individual personality, nor even a knack for generating plain excitement.

His Mozart, the D major Sonata K.311, was innocent: polite, bright and too uniformly *staccato in the outer* movements, merely sentimental in the Andante. Beethoven's "Appassionata" Sonata was not so lucky. For all Parker's visible concentration, the opening Allegro built no impetus (lumberjack crashes in the bass didn't help); he pitched the later variations of the Andante rather horribly between Clementi and Moszkowski, and his tearaway coda to the Finale was both the one cheap thrill of the afternoon and his only burst of finger-slips.

In Beethoven and elsewhere, *Parker was curiously unable* to maintain a basic pulse. Among Debussy's *Estampes*, "Pagodes" was limply fastidious, but "Soirée dans Grenade" and "Jardins sous la pluie" were skittish and bumpy, missing the style and the atmosphere by miles. Liszt's great B minor Sonata seemed, until the fugato, to wilt at every second bar: stop-go performances of the *sonata are common enough*, but this one hardly went at all. Even the fleetly brilliant passages, for which Parker has excellent fingers, were dulled by a heavy left hand and very raw pedalling. On this showing, a premature "major international career" is a threat to be avoided at all costs.

SPNM/Abbey Road

Andrew Clements

The combined open rehearsals and recording sessions that the Society for the Promotion of New Music holds at EMI's Abbey Road studios subject new scores to a most searching examination. Each work is generally played twice, and sections of it rehearsed, so that the audience comes away with a better idea of the composers' intentions and their success in realising them than it does from many a more prestigious première when the score is heard only once.

That gap between intention and achievement was emphasised by both of the pieces *chosen for Sunday's session*. David Sawer's *Relief* was quite striking at first hearing—vividly scored for a big-band ensemble of reeds, brass and percussion, and generating some aggressive, tough textures. It was revealed as a study in shifting instrumental layers, with groups of players accelerating and decelerating around the central pulse. But as Oliver Knussen and the London Sinfonietta showed, it is a most difficult work to realise accurately, and raised the question of whether the technical demands justify the musical end.

In Nocholas Harberd's *Ch'ing Chueh* the problems were not of co-ordination, but of obtaining a meaningful balance between the solo soprano (Rosemary Hardy), who sings five translations of Chinese poems, and the heavily overscored instrumental writing. Presumably the composer intended there to be a tension between the brittle, highly wrought ensemble lines and the cool, laconic delivery of the text. But in performance one simply masks the other, and any sense of dialogue between the voice and its accompaniment is buried before it can begin to be appreciated.

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Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Dec 13 – 19

Opera and Ballet

WEST GERMANY

Frankfurt, Opera: This week's highlight is Tosca with Galina Savova in the title role and Giacomo Aragall as Cavaradossi. Der Zigeunerbaron is conducted by Michael Luig. Hoffmanns Erzählungen has fine interpretations by Elizabeth Parcells, Paula Page and William Cochran. (25621).

Stuttgart, Württembergisches Staatstheater: Fidelio includes Jeannine Altmeyer, Raili Viljakainen and Robert Schunk. Hänsel und Gretel is perfectly cast with Regina Marheineke and Milagro Vargas. Massenet's Werther is sung in French. (20321).

Hamburg, Staatsoper: Boris Godunov, in a concert version, stars Kurt Moll, Walter Raffeiner and Marjana Lipovsek. Turandot brings together Gwyneth Jones and Harald Stamm. Also La Traviata and Carmen (351151).

Cologne, Opera: *Premiering this week* is Zar und Zimmermann, produced by Willy Decker with Hermann Prey, Martin Finke and Marianne Hirsti. Hänsel und Gretel has Andrea Andonian and Dagmar Knobel in the main parts. Also Madame Butterfly (20761).

NETHERLANDS

The *Netherlands Opera* production of Britten's Turn Of The Screw (in English), directed by Rhoda Levine and designed by John Conklin. The Netherlands Philharmonic under Bruce Ferden, with Helen Field as the governess, Alexander Oliver as Quint, James Lewis as Miles, and Emma Stuart as Flora. Mon in Amsterdam, Stadsschouwburg (242311), Wed in Eindhoven, Stadsschouwburg (111122).

Utrecht, Stadsschouwburg. The National Ballet with Sleeping Beauty, choreographed by Peter Wright after Petipa. Leads danced by Alexandra Radius/Henny Jurriëns, Jeanette Vondersaar/Alan Land, and Coleen Davis/Lindsay Fisher (Tue to Thur). (310241).

VIENNA

Staatsoper: The Barbier of Sevilla conducted by Rabenstein; Madame Butterfly; Ariadne Auf Naxos (5324/2655).

Volksoper: Martha; Der Opernball; Die Fledermaus; My Fair Lady; Hänsel und Gretel (5324/2657).

ITALY

Rome: Teatro dell'Opera: A new production of Un Ballo in Maschera by Sylvano Bussotti, who also designed the scenery and costumes. Cast includes Luis Lima, Giacomo Aragall and Piero Visconti, the American soprano Leona Mitchell. The conductor is Gianluigi Gelmetti. (461755).

Milan: Teatro alla Scala: Season opens with Luca Ronconi's new production of Aida conducted by Lorin Maazel. Luciano Pavarotti is in the role of Radames with scenery by Mauro Pagano. (809126).

Turin: Teatro Regio: Richard Strauss's Il Cavaliere Della Rosa directed by Peter Busse and conducted by Milton Horvat. (548000).

Trieste: Teatro Comunale Giuseppe Verdi: Dvořák's Russalka conducted by Gianfranco Masini and directed by Peter Werhahn. (631948).

LONDON

Royal Opera, Covent Garden: La nozze de Figaro, in John Copley's ageing production, returns with its original conductor, Colin Davis, and a cast new to their roles in London – Yvonne Kenny, Anna Tomova-Sintov, Jonathan Summers, and Patrick Raftery. (House debut). (2401066).

English National Opera, Coliseum: Händel's Julius Caesar, in the celebrated John Copley production that started the work's international new lease of life, has Charles Mackerras as conductor and Valerie Masterson as Cleopatra, but otherwise newcomers fill the cast list (Christopher Robson in the title role, Jean Rigby as Cornelia, Sally Burgess as Sextus). Further performances of the new Don Giovanni, with William Shimell, Josephine Barstow, Felicity Lott, and Richard van Allan; and of the large-scale but not entirely idiomatic or stylish Orpheus in the Underworld, in the Gerald Scarfe sets. (8363161).

Royal Opera House, Covent Garden: Giselle, and The Nutcracker.

Sadler's Wells, Rosebery Avenue: London Contemporary Dance Theatre. (2788916).

PARIS

Palais des Congres: Roland Petit and Marseilles' National Ballet present Puss in Boots animated by Roland Petit's unfailing imagination and enthusiasm (42662075) from 2pm-5pm). Ends Jan 5.

Calambre, 9 *dancers,* 3 *musicians.* Music by Arturo Rayon (6.30pm); Prokofiev's Cinderella with the Lyon Opera Ballet (8.45pm). Both works with Maguy Marin as choreographer. Théâtre de la Ville (42742277).

NEW YORK

Metropolitan Opera (Opera House): The week features L'Italiana in Algeri conducted by James Levine along with the repertory of Satie's ballet Parade, Poulenc's Les Mammeeles de Tiresias and Ravel's L'Enfant et le Sortileges in an evening called Parade. Also the premiere production of Jean-Pierre Ponnelle's Le Nozze di Figaro conducted by James Levine with Kathleen Battle as Susanna and Ruggero Raimondi as Figaro. Lincoln Center (3626000).

Dance Theater Workshop: The invitational Border Crossings celebrating the venue's 20th anniversary continues with Fresh Tracks, a choreographers' *showcase* (Tue). 219 W. 19th St (9240077).

CHICAGO

Lyric Opera (Civic Opera House): The 31st season includes Otello starring Margaret Price, William Johns and Sherrill Milnes, conducted by Bruno Bartoletti and staged by Antonello Madau Diaz. Also Madame Butterfly with Anna Tomova-Sintov in the title role, conducted by Miguel Gomez-Martinez, as well as Samson, Anna Bolena, La Traviata, I Capuleti e I Montecchi, Die Meistersinger and La Rondine (3322244).

Saleroom/Antony Thorncroft

Christie's has successfully pioneered a saleroom demand for contemporary ceramics and its third auction of the year yesterday produced a total of £126,701 with just 5 per cent unsold. Hans Coper fetched the *highest prices with a private* collector paying £10,260 for a 1968 pot in tube form with a spherical belly: its top estimate had been £4,500.

In contrast the star lot, a monumental stoneware shouldered bottle, 43 cm high, by Coper, went slightly below forecast at £8,640. A rare stoneware composite bottle doubled its estimate at £7,020. A 1955 stoneware bowl made the same price and Fischer Fine Art paid £6,480 for a tall slender stoneware vase.

Among the younger generation a handbuilt stoneware spout pot by Elizabeth Fritsch was just above target at £3,672 but a much exhibited coiled stoneware sculpture by Gordon Baldwin, entitled "Egyptian Black," was bought in at £550.

The star of the sale was Lucie Rie. A wide bowl made by her in 1967 went for £4,753, a record for her, and a bottle of the same period made £3,240. The old faithfuls, like the Leach family and Hamada, were up to expectation, but perhaps the biggest price improvement was shown by Magdalene Odundo. *In the past she* has sold at auction for around £300 but a hand-built burnished and polished red clay vase, produced this year, sold for £1,080.

Yugoslavia

TRADE AND INDUSTRY

LATE LAST month, Yugoslavia's collective presidency sounded a sombre warning about the social and political consequences of the country's worsening plight, particularly inflation, and gave Prime Minister Milka Planinc and her cabinet an unprecedented reprimand to do better in pushing through economic reform.

It was a petulant and anxious note on which to end 1985, a year which many Yugoslavs, like their leaders, would prefer to forget. The bad economic start to the year could be rightly attributed to severely cold weather disrupting transport of goods and people and necessitating extra oil imports. But the slow pick-up since early summer has shaken any complacency resulting from 1984's good performance that suggested Yugoslavia might have turned the corner on to a path of steady export-led growth at a tolerable level of inflation.

Industrial output was 2.5 per cent higher in the first ten months over the level of the same period of last year. But with lower agricultural production, social product (the Yugoslav equivalent of gross national product) looks likely to rise only 1 per cent this year, compared to 1.7 per cent in 1984.

In hard currency trade in the first nine months of this year, a 6.3 per cent rise in imports, outstripping a 2.6 per cent rise in exports, produced a one-third fall in the current account surplus to $408m.

Oddest of all to the outsider (but not to Yugoslavs who know the myriad ways of side-stepping their country's credit and monetary restrictions), was a combination of the official claim that domestic demand was further reduced by 10 per cent in January-November this year, with the official admission that retail prices had surged to an annual pace of 80 per cent, a European all-comers record.

Many Yugoslavs are worried that the long, and so far unavailing, fight against inflation is constraining investment and modernisation. They feel that economic growth should again become the top priority.

Tougher task to lift exports

BY DAVID BUCHAN,

This defiance of textbook economics — lower demand should depress prices — is a reflection of the weakness of monetary tools in fuguslavia and to the strength of the distortions and of the seller's power in the country's fragmented market.

Yet, while the problems this year may have ended foreign complacency about Yugoslavia, they do not appear to have further shaken foreign confidence in Yugoslavia. Western banks have finally agreed to give Belgrade multi-year debt relief, rescheduling $3.5bn debt falling due between 1985 and 1988 in an accord to be finally signed later this month.

In return, Yugoslavia has agreed that the International Monetary Fund will conduct "enhanced monitoring" of Yugoslav performance, after the Fund's formal standby arrangement ends next May.

Yugoslavia has asked Western governments for the same duration of debt relief, rescheduling some $1.4bn official debt due in 1985-86. So far, only Italy, one of Yugoslavia's biggest trading partners, has shown itself favourably inclined to Belgrade's request.

If, as seems likely, the majority of Western governments insist on year-by-year rescheduling, it will be less a slap in Yugoslavia's face (though Belgrade may choose to take it as such) than Western treasuries' traditional reluctance to grant multi-year debt *relief*.

This year's forecast current account surplus of $600m should be enough, by most estimates, to allow Yugoslavia to cover its modest, rescheduled 1985 debt repayments and to meet its IMF-agreed goal of increasing reserves by $200m to $2.3bn by the end of the year.

But the much-improved Yugoslav export performance over the past five years, which as Dr Milenko Bojanic, the Trade Minister, points out, has lifted the share of exports in overall social product from 15 to 25 per cent, is threatened by several developments this year. The Trade Minister, however, argues that the setbacks are mostly temporary.

The sluggish performance of Yugoslav exports to the West is attributed to slacker demand and increased protectionism in the West, while the rise in imports from the West is seen as an inevitable correction from Yugoslavia's severe 1983 import cutbacks. Indeed the 21 per cent increase in equipment imports from the West this year is viewed as highly desirable to speed much-delayed and needed industrial modernisation.

The 11.7 per cent increase in exports to socialist countries in the first ten months of this year is almost entirely due to a number of ship orders being completed together for the Soviet Union. "This is not a reorientation of our trade towards the East — it is just that it is very difficult to sell ships to the convertible currency area," Dr Bojanic says. Indeed Yugoslavia has for several years now been pursuing a strategy of trying to buy as much from the East and sell as little to the East as the Russians will let it get away with.

The Trade Minister is least sanguine about the Third World, which despite Yugoslavia's heavy political investment in the non-aligned movement is proving a poor commercial partner. Part of the problem stems from concentration on a few markets, Iran, Iraq, Libya, Algeria and Egypt, which have sharply cut back on the capital projects in which Yugoslav construction firms specialise.

A more general factor has been Yugoslavia's difficulty in providing export credit either *cheap enough to* satisfy debt-ridden Third World customers or in hard currency to attract Western sub-contractors into joint bids.

Mr Ilija Marjanovic, president of JUBMES, the Yugoslav Bank for International Economic Co-operation which is the country's main export credit agency, says 4-5 per cent of Yugoslav exports *are sold on* credit, but he believes the ratio should be 12-14 per cent, given that Yugoslavia is a traditional seller of capital equipment to developing countries.

However, the burning economic issue is internal inflation and its relatively greater impact on the less aggressive groups of workers in the poorer regions. It is in *Slovenia, the richest* republic, where most reported strikes have occurred this year and where wages have risen most in real terms. Other regions have less fat to live off and less market power to protect themselves from the ravages of inflation.

This is causing growing disquiet about the laissez-faire IMF attitude to inflation, even *though Fund supervision* of the economy has now only five months more to run. The IMF thesis that administrative price controls merely aggravate long-term distortions won only half-hearted acceptance in Belgrade, and now that support is waning. A form of control — pre-notification of price increases —was extended on October 1.

The Planinc Government is *also trying to* engineer lower interest rates—the three-month deposit rate was cut by nine percentage points in October—and is seeking Fund approval to de-couple shorter-term rates from the level of inflation.

At the same time, there seems to be a growing feeling that Yugoslavia must soon start making up for the growth it lost under nearly six years of IMF-imposed austerity. This mood is widely shared, by Belgrade bankers, by officials in Kosovo worried that their poorest part of the country must grow faster just to keep unemployment constant, and by key figures in the state presidency.

The man tipped to succeed Mrs Planinc, when her term ends in May, is Mr Branko Mikulic, the Bosnian in the collective presidency. He would be distinctly un-Bosnian if he were not a "high growth" proponent.

The priority, then, seems to be shifting — away from lowering inflation at all costs and back towards growth. Whether growth in the mid-1980s will prove sounder based than the ill-fated 1970s boom will depend in part on new economic legislation.

Current payments balance

RECEIPTS:	Jan-Sept 1985 ($m)	% change 1984	PAYMENTS:	1985 ($m)	on Jan-Sept
Exports of goods	4,576	+ 2.6	Imports of goods	5,549	+ 6.3
Services (tourism shipping)	2,197	+ 3.2	Services	848	+ 2.8
Private transfers	2,517	+ 4.7	Private withdrawals	1,232	+ 0.7
Interest	147	+14.0	Interest	1,400	+12.8
			Total	9,029	+ 6.1
			Balance	+408	−33.4

Source: National Bank

Rush of economic legislation

THE lights have been burning late in the Parliament building on Belgrade's Bulevar Revolucije, as delegates complete the year-end legislative rush that has proved more productive in 1985 than usual. Already approved are four major new laws on external economic relations and planning, and pending are bills on banking, private investment in the public sector and regional development.

● The Foreign Exchange Act, aimed at recreating a functioning foreign exchange market, ends the right of exporters to keep part of their earnings in hard currency accounts with Yugoslav banks and to use *this* either to import or sell (semi-legally) to other companies at black market or unofficial rates.

As of January 1, exporters will have to surrender 100 per cent of their earnings within 60 days to their bank, which then is to pay dinars in return and sell the hard currency on to the foreign exchange market. When importing, firms will buy *foreign* exchange at the then prevailing rate. A provision of the Act permits futures contracts in currencies, though it is not clear what will happen when everyone hedges against the inevitable depreciation of the dinar.

● The Foreign Trade in Merchandise and Services Act heavily circumscribes Yugoslav importers' theoretical free-for-all access to the foreign exchange market. The Act sets out four categories, the most important of which will allow imports provided (a) the country has enough foreign exchange available, and (b) the importer in question has the necessary "import rights." These rights depend on a certain export/import ratio. Banks will tell their clients how much, based on their 1984 performance, they can buy abroad: if they export more than in the base year, they can import more, and vice versa.

● The External Credit Relations Act lays down that no company can borrow abroad, unless (a) it offers the federal authorities firm guarantees that it can service and repay the debt, and (b) the borrowing is within national borrowing projections.

● The new Planning Act, passed at the end of August, stipulates that one- and five-year plans (not of overwhelming importance, as in the Soviet bloc) should be strategic documents and not lists of intents and wishes, that all the little "self management" *cells in* Yugoslav companies and groups should plan jointly and not autonomously, and that the plans of regions, republics and provinces should fit into a coherent national whole.

● The new banking bill, still under discussion, is aimed at making banks more like real, independent institutions, rather than just financial filling *stations topping* up their customers (who under the Yugoslav system are also their owners) with money. Another goal is to try to "divorce" the country's 172 banks more from their local regions and politicians, and to get better financial flows across the country. One new sanction would be that if a bank becomes illiquid, all its deposits belonging to its corporate shareholders *are frozen*.

● A so-called "Buy yourself a job" bill is being hotly debated. Faced with shortage of investment capital in the country, the Planinc government has proposed that private citizens, particularly guest-workers abroad with hard currency savings, invest in public firms at home. This would buy equipment for new jobs, to which the private *investor or* his close relatives would be entitled. This proposal has been criticised as unsocialist and unfair.

● The country's poorer south and centre — the republics of Bosnia-Hercegovina, Macedonia, Montenegro, and the province of Kosovo — are to continue drawing aid from the riches north in 1986-90. But the politicians are still arguing over the details: the share of social or national product to be paid into the regional fund, the share of fund money to go directly to the southern beneficiaries or to back joint ventures between north and south, and how to help Serbia, the economically borderline republic.

Aleksandar Lebl
Belgrade Correspondent

YUGOSLAVIA: Trade & Industry 2

Profile of the Republic of Bosnia and Herzegovina

Catching up with development

IN YUGOSLAVIA, and especially in its republic of Bosnia and Herzegovina, one may be a Moslem with capital "*M*" *without being a moslem* with a small "m." Or one may be an atheist and a member of the League of Communists and still be a Moslem with a capital M.

BOSNIA AND HERZEGOVINA	
Area (sq km)	51,129
Population (1981 census)	4,124,256
Moslems	1,630,033
Serbs	1,320,738
Croats	758,140

This confuses many visitors, but the explanation is relatively simple. Over the centuries, people adopted different religions. Christians split after 1054 into Orthodox and Catholic, and upon the Turkish conquest many of them, plus the heretic Bogumils (Patarens) whose main stronghold was in Bosnia, converted to Islam in order to save their rights and property.

Although speaking the same language, people of different creeds also developed some specific features, and as time went by started to feel that they *belonged to separate entities, or* "nations."

Moslems in Bosnia and Herzegovina have been in the past "appropriated" by Serbia and Croatia as Serbs and Croats respectively of moslem (small "m") religion. Only after *World War II were they recog*nised as a nation in their own right.

High birthrate

For lack of a name for that nation, they are called Moslems (capital "M") to differentiate it from their religion (if any). Today they are the relative majority in this central Yugoslav republic, and with a high birth rate, are likely to strengthen their dominant position. Bosnia and Herzegovina, however, differs from the other five Yugoslav republics in that it is not the state of any one nation.

Bosnia and Herzegovina (B-H) was one of the least developed regions of Yugoslavia, although rich in coal, ores and forests. One reason is that it was part of the Ottoman Empire until the late 19th century. During the Second World War it was also the most heavily damaged region, as the main battlefield of the Partisan War against the Germans.

Since then B-H has made tremendous strides in all fields, in economic infrastructure, education and so on. Yet, it still counts as an underdeveloped Republic entitled to all-Yugoslav development assistance. For the 1986-1990 period it will have the underdeveloped status, but after that it may lose it.

One way chosen by the leadership in Sarajevo, the Republican capital, to speed up development has been widespread use of more or less compulsory loans subscribed by the working population and carrying low interest rates. Hundreds of schools, also hundreds of kilometres of new roads have been constructed in that manner.

Now, the proceeds of a new loan is to be used to create some 377,000 new jobs in the Republic and thus alleviate unemployment.

Every employed Bosnian and Herzegovinian is expected to lend the equivalent of at least one month's salary, only the lowest paid are exempted. What some in the republic and outside it resent is the not very subtle way of "persuading" people to subscribe to the loan (which may be paid in up to 18 instalments.)

Thus, it has been reported that the Secretary for Internal Affairs of the republic has branded as politically hostile elements those opposed to the loan.

On the other hand, the Sarajevo initiative for job creation is now spreading to other republics. Macedonia and Serbia have already started discussing the merits of similarly borrowing money from their citizens, being well aware that it cannot be popular at times of falling real incomes.

The image which Bosnia and Herzegovina, or rather its leaders, have in the rest of the country is one of lack of subtlety and excessive toughness, although few doubt their good intentions to speed up development and to prevent the recurrence of national animosities and hatreds which caused so much bloodshed during the war. Some trials of "dissidents" in the republic ending in harsh sentences, based on evidence which higher courts found wanting, did not contribute to its prestige.

Active clergy

There has also been in Bosnia and Herzegovina, as in other parts of Yugoslavia, a revival of various nationalist movements, and Islamic fundamentalism — mainly a result of economic difficulties, youth unemployment, but also of enhanced activity by some of the the clergy.

The chief characteristic of the republic's economy is the presence of industrial and agro-industrial giants, such as Energoinvest in electrical and mechanical industries, oil refining and other fields (it is in effect the first Yugoslav conglomerate), Sipad in forestry and wood processing, UNIS in the automotive and other metal processing industries, several agro-industrial *kombinats in Mostar, and Ban*jaluka, and UPI in trade and several others. The degree of concentration in Bosnia- and Herzegovina is perhaps the highest of Yugoslavia.

Most of those giants are also important exporters. Energoinvest is the largest gross exporter. It would also perhaps be the largest net exporter, but for the fact that it imports a lot of crude oil for its Bosanski Brod refinery.

Its export results this year have been better than the Yugoslav average in some respects, like its exports to imports ratio which in the first 10 months increased from 88.4 to 91.1 per cent (and more than 100 per cent if only hard currency area is concerned).

The rate of growth of exports which was lagging earlier in the year has become more dynamic since the summer, reaching 12.8 per cent by the end of October.

ALEXSANDER LEBL, BELGRADE CORRESPONDENT

Towards the 1992 Olympics

BELGRADE IS hoping to cap the 1984 winter Olympics in Sarajevo by bidding to host the 1992 summer Olympics itself. The clear favourite to win the 1992 games is Barcelona, but the Yugoslav capital believes it has some advantages — 87 per cent of the necessary sports facilities already built within a 10-mile radius, and the past experience of organising nine world and 19 European championships.

Transport and hotels would be more of a problem, but plans already exist for expanding such infrastructure, which the city needs anyway. Financial resources and time are also limited. In the final analysis, the Belgrade claim will rest much on Sarajevo's record two years ago, proving Yugoslavs can be both good organisers and genial hosts.

Serbian links weaken in Kosovo

KOSOVO IS the weak link in the Yugoslav federal chain—weak because it is the poorest region with the average Kosovar income only 30 per cent of the national average, and weak because the allegiance of some of its predominantly ethnic Albanian population to the predominantly Slav federation is suspect.

The 1981 nationalist riots brought Kosovo to national and international attention. Sporadic incidents have continued since then: a couple of bomb explosions last year in the provincial capital of Pristina which luckily hurt no one, but mainly the daubing of nationalist slogans on walls and distribution of nationalist literature.

Some 100 people were sentenced in the first half of this year for various "political" crimes or misdemeanours, and Kosovo accounts for, roughly, half the national total of such convictions in any one year.

The main agitation has been for republican status for Kosovo, which, like Vojvodina in the north, is an "autonomouse province" of the Serbian republic. This autonomy makes Kosovo the virtual equal of a republic in political and economic matters, with its own flag (nearly identical to that of neighbouring Albania) and veto in Yugoslav federal decision-making.

Why then, says the nationalist agitators, can't you just confer on us the formality of republichood?

Why, riposte other Yugoslavs, should you want this mere formality, unless it is cloak for secession from the federation and possible union with Albania?

In fact, very few Kosovars seem to want to join up with their Albanian brethren, and having visited both regions this year, this correspondent can see why. Albania has tighter political regimentation and less economic wealth (though better distributed) than Kosovo.

At the same time, however, Serbs remain extraordinarily sensitive to any weakness of their link to Kosovo, which, for all its present day "Albanianness," was the political and cultural heart of the medieval Serbian kingdom.

Yet, demographically, the link is weakening as Serbs and Montenegrins leave what they feel to be an increasingly alien environment. The 1981 census put the province's population at 77.5 per cent Albanian, and 14.7 per cent Serb and Montenegrin.

The past five years have pushed the Albanian percentage to around 80 per cent, with a corresponding decline for the Slavs.

Mr Ikrem Arifi, a Pristina party official, says the net exodus shows signs of stabilising. Between the start of 1984 and the middle of this year, some 3,700 Serbs and Montenegrins left, but nearly 1,000 of those who had left earlier came back.

Kosovo officials believe, and hope, that the root of the province's problems is economic—unemployment and poverty, which with time, care and money can be treated. Half the province's population is under 19 years old.

KOSOVO	
Area (sq km)	10,887
Population (1981 census)	1,584,440
Albanians	1,226,736
Serbs	209,497
Moslems	58,562
Montenigrins	27,028

Of the workforce, 213,000 have jobs and 113,000 do not. Development has so far focused on building roads, power stations, irrigation networks and on processing the region's rich non-ferrous metal deposits.

Mr Aziz Abrashi, the Kosovo Minister of Economy, says these capital intensive projects provide the basis for future growth, but admits they employ relatively few people. The province's 1986-90 plan provides for 8 per cent annual growth, compared to only 2.2 per cent in the past five years.

Faster growth, the minister says, is essential to create 15-17,000 jobs a year (or 60-70 per cent of the annual addition to the labour force)—"otherwise we will reach the year 2,000 with as many on the dole as those with work." This is despite the fact that Kosovo has at last begun to take family planning seriously, to curb its 2.6-2.7 per cent birth rate, the highest in Europe outside *Albania proper*.

Mr Abrashi stresses new measures to stimulate small private businesses (with remittances from the 30,000 Kosovars who work outside Yugoslavia), small farms, tourism (particularly skiing in the Sara mountains), and further processing of the region's raw materials.

One successful instance of the latter is the Amortizeri shock absorber factory in Pristina, which is planning to expand its 1,400 strong work force by a further 400 to accommodate *new work* for the Zastava car factory in Serbia.

Zastava is now selling Yugo cars to the US, and after initial problems with quality, the Pristina factory looks set to supply shock absorbers for the demanding US market. Amortizeri has long supplied Peugeot of France with absorbers, and is to supply them for new 205 and 309 models, though this will not itself create new jobs at the Pristina plant.

David Buchan

Profitable battery plant

KOSOVO, like the rest of Yugoslavia, has a few sound projects which operate profitably. One of the latter is the factory of nickel-cadmium batteries in Gilan which is part of the Trepca group of industries.

As Mr Djordje Stefanovic, director of the factory tells visitors, it was built in a relatively short time, and went on stream in mid-1981. After an initial run-in period, it started operating profitably. Last year it had total revenue of some 3.5bn dinars ($11.62m), and profits of 650m dinars. This year total revenue will increase to some 5.6bn dinars.

The factory could sell twice as much as it can manufacture. To eliminate bottlenecks, some $1m worth of equipment has been or is going to be imported. About 80 per cent of output is exported, mainly to the Comecon countries and West Germany.

Batteries are manufactured under licence from the Marathon Battery Company of Veikko, Texas, with which the Kosovo factory has a 10-year technical co-operation agreement, and a 10-year agreement on sale of $3m worth of batteries a year.

Negotiations are also under way for a joint venture agreement under which Marathon would invest some $2.5m. Marathon has already ceded to the Gilan factory the European market for aircraft batteries.

YUGOSLAVIA: Trade & Industry 3

Patrick Blum traces the growth of Rade Koncar

More exports to developing nations

ESTABLISHED IN 1946 in Zagreb after the nationalisation of a small repair workshop employing 100 workers, Rade Koncar has grown to become Yugoslavia's leading electrical equipment manufacturer and plant contractor.

As it has grown—the company now employs some 23,000 workers—Rade Koncar has diversified. The company is split into 11 divisions and 53 plants and production departments located in Zagreb where it has its main works and headquarters, and in Serbia and Macedonia.

This year about 40 per cent of its total turnover which is expected to exceed $400m will have been in exports and foreign projects.

The company does not give profit figures but Mr Marijan Brkic, director for sales and marketing, says that despite economic difficulties at home and tighter markets abroad, Rade Koncar earns more than enough to pay its employees and invest to carry out further modernisations.

Future plans are ambitious. During the next five years the company wants to double its turnover and increase exports by 50 per cent.

This will be achieved mainly through higher productivity using new machinery and technologies. Future investments of up to 10 per cent of turnover will be concentrated on modernisation and automation rather than physical expansion of plants. The aim will be to produce a new generation of products.

These objectives may prove difficult to attain. Sixty per cent dependent on the domestic market, Rade Koncar has suffered in the past three years from Yugoslavia's economic difficulties and a decline in domestic orders. This has been compensated in part by more active foreign business, but earnings have stagnated.

Shortages of foreign currency delayed imports of basic raw materials and components in the first half of 1984. The situation improved in the second half of the year and the company was able to make up for lost production.

Rade Koncar's largest exports are to developing countries (35-40 per cent of exports) followed by Eastern Europe and Western Europe with 25-30 per cent each. Within the group of developing countries exports to Iran were the largest, worth $15.9m, exports to Egypt were $12.5m, to Nigeria $9.5m and to Iraq $7.3m.

Exports to Eastern Europe were worth about $55m with the Soviet Union as Rade Koncar's largest single foreign market with exports worth $21m, followed by Czechoslovakia with $18m, and East Germany with $3.9m. In Western Europe, Italy was the largest market with exports worth $9.9m.

The company's strategy is to build up its exports to developing countries and more particularly to the Middle East and North Africa.

Skiers use the lifts at Kranjska Gora in northern Yugoslavia's Slovenian Alps. With the Sarajevo winter sports complex built for the Olympics two years ago, the country now has winter resorts with a total of 70,000 beds to complement its summer tourist attractions on the Adriatic.

Tourism is expected this year to bring in nearly $2bn in foreign exchange — some $1.25bn of it officially recorded by the National Bank and the rest in the pockets of private Yugoslavs. Tourism, which accounts for 3 per cent of national product and nearly 10 per cent of total goods and services exports, showed an 18 per cent increase in the number of foreigners coming to Yugoslavia in the first nine months of this year. Some 140,000 more Britons went to Yugoslavia in January to September this year compared to the same period last year.

David Buchan

Shipyards pick up more orders

THE YEAR 1985 has been a good one for Yugoslav shipbuilders in spite of the world crises in that industry. In 1984 a total of 21 ships were built in Yugoslav maritime shipyards, of which 16 were for foreign shipowners but this year 43 ships have been delivered or are soon to be finished. Of those, 37 are for foreign owners.

Delivery of all except five ships ordered by the Soviet Union, will take place before the end of the year. For 1986, 20 more ships have been already ordered, and more are expected.

The value of exports is expected to reach some $800m this year. The shipbuilding industry will import materials worth only about a sixth of that, which is proof enough of its value to the Yugoslav balance of payments.

Unpromising

Shipping, on the other hand, has been a much less succesful foreign exchange earner. While in 1981 shipping earned $399m net. In 1984 that fell to $192m, and this year is not promising.

The trouble is that the 320 ships in the maritime fleet with some 4m tonnes have an average age of 18 years. Almost two thirds are older than 15 years. A total of 118 ships is to be sold for scrap as soon as they can be replaced.

Such ships cannot compete successfully with more modern fleets. They lose cargo, including a large part of Yugoslav cargo; of the 45m tonnes of Yugoslav exports and imports transported by sea, Yugoslav ships account for 23-25m tonnes, which means that an estimated $400-600m is paid to foreign shippers.

For the 1986-1990 period, Yugoslav shippers plan to add 134 ships and other vessels to their fleets, with a total of 2,353,874 tonnes worth $1.1bn. Of that less than half—53—would be built in Yugoslav shipyards, 14 in foreign shipyards, while 72 ships and vessels would be second hand.

Aleksandar Lebl

PROFILE: SCT

Construction group feels the squeeze

SLOVENIA although one of the richest and most export-oriented republics in Yugoslavia, has not escaped the country's economic difficulties. This has been particularly true in the construction industry, hit by the recession and inflation.

According to Ms Milica Ozbic, Governess of the Slovenian National Bank, the construction industry suffered most with several businesses having to close down as they were unable to sustain rising costs of raw materials, energy and transport.

Even larger companies like Slovenija Ceste Tehnika (SCT), Slovenia's biggest construction company and one of its largest groups, have felt the chill wind of recession.

SCT's earnings both at home and abroad have declined sharply in the past two years falling from a record $469.6m in 1983 to $297.7m last year. Earnings from work in Yugoslavia dropped by about half from $267.9m in 1983 to $139.1m last year and from foreign contracts from $201.6m to $158.6m.

The group's position this year has not improved and foreign earnings are expected to be around $70m. "Prices have been pushed down and competition has become tougher," Mr Niko Ogrin, SCT deputy general manager says.

SCT was established in 1979 with headquarters in Lubjiana through the merger of two major Slovenian companies. In 1982 a third company was absorbed. The group's activities cover the entire range of construction activities and mechanical engineering.

Despite the sharp downturn in foreign orders, SCT is pinning its hopes for better days ahead on new construction contracts abroad. Several projects are already under way in Libya, Jordan, Egypt and Algeria with others being negotiated. Mr Borot Gabrsek of SCT says he expects foreign earnings to exceed $100m next year.

"We hope to win contracts in the Soviet Union for the new five year plan, and we are sticking to the markets in the Middle East and North Africa," Mr Gabrsek says.

Earlier this month, it signed a $150m contract for a military airport in Algeria partly in Algerian currency to pay for local costs, partly in dollars and partly with oil on a countertrade basis for oil.

Military and defence related construction projects are not advertised in the group's publications but they form an important part of the group's activities. "We do a lot of strategic, military and defence projects. We don't publicise it but it gets known by governments and people interested," Mr Ogrin says.

Patrick Blum

Ninth in world League

YUGOSLAV contractors hold ninth place in the world league, accounting for 1.6 per cent of the total value of work done by construction firms outside their home country. Yugoslav companies do some $2-2.3bn of capital project work a year, making a major contribution to the country's external financial surplus.

The recent contraction in domestic and foreign orders has, perforce, led to some improvement in competitiveness with the organisation of more joint consortia to bid for large foreign projects. However, the more successful firms complain about the political pressure they come under to give part of their hard-won contracts to small and inefficient companies in their region just to maintain employment.

There is also widespread dissatisfaction about new rules that heavily tax Yugoslavs' foreign earners in excess of $1,000 a month.

A. L.

Trade relations with US deteriorate

THE US Secretary of State, Mr George Shultz, is expected in Belgrade this week for talks. The visit is another manifestation of generally good political relations between Belgrade and Washington but not of their trade relations, which have deteriorated this year.

Yugoslav officials attribute this to differences over the next round of trade negotiations in the Gatt and the resulting threats of retaliation in the form of excluding Yugoslav from the US General System of Preferences (GSP) as well as to rising American protectionism.

Yugoslav exports to the US amounted to $431.6m last year, which is only some 0.2 per cent of total US imports. Yugoslav imports were worth $619.9m. Yugoslav efforts to increase exports have met numerous obstacles. One of the recent instances is the American Administrations' request that Yugoslavia further "voluntarily" limit exports of textiles and the very low US offer of preferential textile imports, of only about half the 1984 imports.

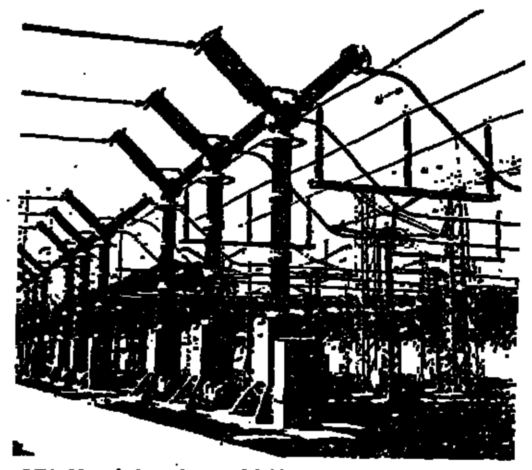
Total Yugoslav textile and clothing sales in the US were worth only some $30m last year and their share in aggregate US imports ranged between 1.7 per cent for cotton shirts and 9.1 per cent for ladies wool coats.

The US has also started anti-dumping actions against Yugoslav steel tubes and nails, although tiny amounts are involved. Temporary duties of 84.7 per cent for nails and 74.5 per cent for tubes have been imposed, which practically stopped exports. Final rulings are due soon.

Some US companies have asked the Administration to exclude Yugoslavia from the GSP. The American pharmaceutical industry wants such exclusion because it objects to certain Yugoslav legislation and Philip Morris, because of cigarette licencing problems. The American furniture industry would like a lower preferential limit for imports of Yugoslav furniture.

Thus Yugoslav exporters feel that wherever they have registered initial small successes, they have been slapped on the fingers. The US official privately warns his Yugoslav friends that if their star performer, the Yugo car, starts winning a larger than symbolic slice of the US market, it will face anti-dumping procedures from Detroit.

A. L.



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Modest reform of welfare

MR NORMAN FOWLER'S Green Paper on social security in June had a distinctly lukewarm reception not only, as might be expected, from the welfare lobby, but also from the pensions industry, where the Government has expected to find enthusiastic support. It is not surprising, then, that the major change between that proposal and the White Paper, which reflects the Government's response to criticism, concerns pensions. State earnings-related benefits are reprieved—though in a form which will deliver substantially reduced benefits 25 years hence; and new tax and other concessions are proposed to enable the private sector to offer a more attractive alternative. It should be said at once that this is a major advance. The Green Paper involved "voluntary compulsion" and was regarded in the industry as unworkable. The new proposals preserve a choice, and should be practicable.

However, the White Paper covers welfare as a whole, and the pension proposals have to be seen in context. Mr Fowler's original promise of a "new Beveridge," recasting the whole welfare system, has turned out tot be something a great deal more modest. In place of any central philosophy, it has three or four largely unconnected aims.

Poverty trap

The first is to redistribute the entitlement benefits, or demand determined programmes as the Treasury suspiciously regards them, to give more help to disadvantaged families and correspondingly less to others—the single and the old. This better matches the pattern of real deprivation among the poor.

The second is to eliminate the poverty trap, ensuring that, under all circumstances, those who take up work or improve their earnings enjoy some corresponding benefit, which must surely be an aim enjoying universal support.

The third is to simplify the system of partly discretionary supplementary benefit, and incidentally to introduce the principle of loan rather than grant assistance for some lumpy payments.

The fourth is to encourage private provision for old age.

All these aims can readily be defended, but the lack of any unifying principle in the paper means that they can only too easily be attacked one by one.

A truly radical attempt to target benefits on those in need, for example, would have entailed bringing the basic State pension into the sum—a benefit which continues, because of the myth that it is funded, to be paid even to the very rich—who also get (and use) other ill-targeted bonuses such as free or very cheap use of public transport.

Both simplification and the attack on the poverty trap would have been better served on the lines proposed by the CBI today; a unified tax and entitlement system would automatically cut benefits to the rich, and would surely entail a lower marginal rate of "tax" than the 70 per cent implied for the poor in the White Paper.

Such a genuinely radical scheme might have won bipartisan support for its basic principles. The White Paper is most unlikely to do so, thus the future of the welfare system remains a subject for speculation and uncertainty.

Not for the first time, the Government has missed a major opportunity by failing to be radical enough.

Improved benefits

However, the proposals will have to be judged on what they do, not what they fail to do. The attacks on family deprivation and on the poverty trap are entirely welcome in themselves. The main criticisms of the welfare part of the paper is likely to remain concentrated on two issues: the fact that these advances are achieved by making other poor people poorer; and the whole concept of the Social Fund. The idea of a discretionary, cash-limited fund seems to us to involve excessive power for officials and the principle of trying to limit the total expenditure of thousands of officials meeting individual emergencies seems fundamentally flawed, despite the eloquent defence in the White Paper.

The trouble with the pension proposals in their new form is cost. The cost to the exchequer of the new incentives to go private is not estimated; it should be. It is apparently enough to ensure that the pensioner can get improved benefits, in spite of switching to schemes whose administrative costs are estimated at 10 per cent of contributions—historically true, but surely excessive. The supposed benefits of the change are not clearly expounded and the costs not even admitted. Mr Fowler must do better.

Bonn tightens up on strikes

FEW THINGS have proved as risky over the years as forecasting the end of the generally businesslike relations between labour and management in West Germany. Last year a seven-week engineering strike looked like a severe blow to the established *mores*. Yet when the dust settled the world of industrial relations looked much as it had done before.

Now there is a new trial of strength in the making, arising from last year's engineering stoppage. It is bound to contribute to a deterioration of the atmosphere: but it is unlikely to undermine some of the basic facts which have contributed to the reasonableness of industrial relations in West Germany.

The Christian Democratic-Free Democratic coalition of Dr Helmut Kohl, the Chancellor, wants to prevent the unions from again resorting to a device which greatly reduced the amounts of strike pay paid out last year. The engineering union, IG Metall, then called out workers in a few key companies in support of its demand for a 35-hour week. But it provoked widespread closures.

West German law requires the office administering unemployment benefit not to take sides between labour and employers. The courts interpreted that to mean that workers laid off as the secondary effect of a strike elsewhere were entitled to benefit.

Precisely what the Government wants is to be decided at a cabinet meeting tomorrow, provided some cross-currents can be controlled. The likelihood is that the law will be altered to exclude from unemployment benefit in similar cases all those who stand to profit from a successful outcome of the strike.

Allowing for the very different form taken by British trade unionism, there are some parallels between the plans under discussion in Bonn and British practice as established under the Thatcher Governments. Thus in Britain a worker laid off because of a strike in his company can qualify for certain benefits only if he can demonstrate that he is neither taking part in the strike nor apt to benefit from a successful end.

At first sight that goes a good deal less far than the plans under discussion in Bonn because it does not apply to workers indirectly affected by a strike in a company other than their own. In practice there are important differences. Bargaining for wages and conditions in Britain generally takes place at company level. In West Germany, though, there are exceptions; bargaining takes place, industry by industry, for entire regions at a time. The trade unions' tactics generally are to put pressure not on a single employer, but on an entire industrial group, represented by their employers' association.

Taken together with the fact that the big West German unions are not craft unions, as many are in Britain, but industrial unions, that explains why strikes and disputes, when they do occur, look much more dramatic than often is the case in Britain (though not of course in nationalised industries such as the coal mines).

Union power

Experience has shown that a "big bang" such as last year's German engineering strike, can be much less damaging than the series of smaller, often unofficial disputes, which used to be the norm in Britain.

But organisation apart, the entire background in West Germany differs vastly from that in Britain. In the Britain of the 1970s union power and the power of the shop floor had become excessive. No such imbalance existed in West Germany. West German employers do have a claim, in the light of union tactics last year, for the neutrality of the state in industrial disputes to be assured. They have less reason to demand a general rollback of union power such as has been the aim of the Thatcher Government.

Thus West German unions are legally precluded from staging sympathy or political strikes. They can be sued for breach of contract if they strike before current wage agreements have expired. Such limitations are not seriously challenged by most union leaders. The likelihood is that the reforms proposed by the Government will cause much sound and fury, but that the established mould will survive.

AUSTRIA'S nationalised industries are on trial. The crisis at Voest-Alpine, the largest of the state-owned groups, has provoked a wide-ranging reassessment of the role of the state in the country's industrial economy.

Shocked by the scale of the steel-based industrial group's losses—Schillings 5.7bn ($317m) this year—some workers in Austria's successful private sector have sent back empty tax forms in protest. The Socialist-led coalition Government, battered by public opinion, has undertaken to launch a radical programme of industrial restructuring. Some think that they even detect serious strains in Austria's famous "social partnership," that unique institution, or perhaps state of mind, which brings together employers, labour, the Government and, indirectly, political parties to settle conflicts through consensus.

The Government's immediate response has been to accelerate a series of retrenchments, diversifications and tighter administrative controls, notably among the industrial companies grouped loosely beneath the umbrella of OIAG (Oesterreichische Industrieverwaltungs-AG).

Since 1980 this group of companies alone has received Sch 26.1bn ($1.45bn). The state has also had to provide guarantees of up to Sch 3bn for Landerbank, a leading bank, which faced a serious debt crisis in 1981 after the collapse of three industrial debtors. Nor does it include the even heavier subsidies paid to the state railways or the Sch 7.3bn agreed last month to cover the losses and restructuring costs of three of the industrial holdings of Creditanstalt Bankverein, the country's largest bank.

In the longer term, the Government says that it will pursue proposals to reduce the weight of the state sector in the economy, through the injection of private capital into state-owned companies, including the profitable ones. There will be no large-scale privatisation programme, but ministers have made it clear that they foresee a steady and irreversible process of change.

In the Austrian context, this is all highly dramatic.

When the bulk of Austria's basic industries were nationalised in 1946 the move was supported by Conservatives and Socialists alike. The nationalisations were not part of a programme of mass expropriations to satisfy ideology but were designed primarily to bring into Austrian ownership industries that had been appropriated by Nazi Germany. The social partnership which developed later reinforced the political consensus about the nationalised industries.

Dr Karl Aiginger, from the influential Vienna Institute for Economic Research, says that the social partnership will survive the present crisis but that it will have to adapt. "The social partnership is more involved with prices, wages and energy. The nationalised industries are a political issue. They will have to change," he says.

The social partnership evolved over the years out of agreements made after the war to deal with inflation through direct negotiations between trade unions and employers on wages and prices. The first wages and prices pact was concluded in 1947.

Ten years later, a permanent Joint Commission for Wages

MAIN AUSTRIAN NATIONALISED INDUSTRIES

(1984 in billion schillings)

Company	Turnover	Pre-tax Profit/ loss	Employees	Activities
Voest-Alpine group	194.2	−2.4	70,188	Steel, engineering, plant construction, electronics, trading
Voest-Alpine (parent coy)	48.1	−0.725*	38,094	
Major subsidiaries of Voest-Alpine†				
Voest-Alpine intertrading	107.7	¶	219	Trading
VEW	9.7	−1.95	12,203	Special steels
Voest-Alpine Stahlhandel	4.9	N.A.	1,231	Metallurgical Products
Simmering Graz Pauker	2.7	*0*	*4,116*	Railway vehicles, engineering
Austria Metall	7.4	0.336	3,822	Aluminium, copper
Bleiberger Bergwerks Union	1.6	0.034	1,568	Lead, zinc, chemicals
Wolsegg-Traunthaler Kohlenwerks	0.35	0.013	776	Coal mining
OMV	63.6	0.240	7,297	Oil, gas, petrochemicals
Chemie Linz	16.8	0.035	6,710	Chemicals, petrochemicals pharmaceuticals
Elin Union	7.9	0	6,970	Electrical engineering contracting
Siemens Oesterreich‡	11.1	0.132	10,212	Electronics, telecoms

* Excluding loss and risk provision for Bayou steel corporation in the US of Sch 1.78bn. Voest-Alpine has a 77 per cent shareholding in the company.
† At end 1984 the company listed 39 production companies as subsidiaries or minority investments and over 100 others involved in trading, production and research.
‡ OIAG has a 43.6 per cent holding in Siemens Oesterreich.
¶ Not published.

Sources: OIAG 1984 annual report and Voest-Alpine.

AFTER THE VOEST-ALPINE CRISIS...

The 'social partnership' starts to look strained

By Patrick Blum in Vienna

and Prices was established by government decree. On it sit the Chancellor and three ministers, two representatives from each of the three economic chambers (representing business, labour and agriculture) and two representatives from the Austrian Trade Union Federation. It has almost no mandatory powers, but provides a means to achieve mutual understanding.

Over the years, the social partnership has extended into a myriad of institutions and the "social partners" participate by law on numerous bodies including all the supervisory and consultative bodies concerned with the running of public and semi-public institutions from the state broadcasting corporation to the supervisory board of OIAG.

Critics say that the social partnership has become too rigid and that like the nationalised industries it has been dominated by vested interests and become impervious to change.

The sense of disillusion has even spread to the Socialists some of whom feel that the system has given too strong a voice to the environmental and ecological lobbies. The growth of Austria's Green Movement has taken place entirely outside the social partnership system and is a direct challenge to its traditional emphasis on growth and employment security.

The immediate cause of the public outcry, however, was not concerned about underlying political and social trends but the situation at Voest-Alpine, the steel, engineering, electronics and trading group.

The announcement of the group's losses followed a week in which the predicted deficit had to be adjusted upwards three times before the true scale of the disaster could be established. The government then moved rapidly and dismissed the group's management board, appointing a new interim chief executive and two directors to take charge of the group over the next four months. It also provided an emergency cash injection of Sch 3.5bn.

The conservative Opposition People's Party (OVP) which favours a greater role for private industry seized the opportunity to force a special parliamentary debate on the nationalised industries and unsuccessfully tabled a censure motion against Chancellor Fred Sinowatz and Mr Ferdinand Lacina, the Minister in charge of the Nationalised Industries.

The opposition argues that the government cannot afford to continue to subsidise losses on such a scale. An increasing number of socialists including Chancellor Sinowatz and several ministers are coming to the same conclusion.

Dr Sinowatz says that the taxpayer will not be made to pay for Voest-Alpine's trading subsidiary's losses and that OIAG will have to raise the money itself. Close advisers to the Chancellor say that this could be done through the sale of assets including land and buildings or through selling shares in some of the companies.

But this is only a start. On a longer term basis several possibilities are cautiously being examined to find the best ways to raise money for further restructuring and diversification of OIAG's vast industrial empire.

Mr Lacina says that all the companies of the OIAG group must make a profit within three years or face closure and that the next package of subsidies will be the last. "Two years ago we made one condition for subsidies: that companies producing finished products should stop making losses within three years. We now say that time has come not only for these, but that companies manufacturing basic goods (steel, chemicals) should no longer be subsidised. The latter will be given until 1988 to return to profitability," he said in a recent interview. "There has to be an end to (state) support for all manufacturing industry."

Mr Lacina has the support of Chancellor Sinowatz and of Mr

GOVERNMENT SUBSIDIES TO INDUSTRY

	(Sch bn)
1981	4.46
1982	3.45
1983	6.29
1984	6.37
1985	5.53
Total 1981-85	26.01

In addition the Government paid out Sch 4.5bn between 1982 and 1984 to Maschinenfabrik Andritz.

Franz Vranitzky, the Finance Minister, who is struggling to reduce a fast-growing budget deficit. Plans for major tax reforms and tax cuts may now be indefinitely postponed because of the additional burden of financing the growing losses of state companies. Mr Vranitzky wants to cut government subsidies both to the OIAG group and to the semi-nationalised industrial holdings of the major banks, notably those of Creditanstalt.

Subsidies have mounted rapidly in past years. After a period of rapid industrial growth in the early 1970s, Austria was belatedly hit by the international recession. The volume of industrial production fell by more than 6 per cent in 1975. Basic industries such as iron and steel were particularly badly hit regaining their pre-crisis level of production only in 1979.

In the late 1970s the Socialist government then in power responded to the crisis with deficit spending; protecting jobs in return for low wage demands. In the nationalised industries redundant labour was kept on to avoid dismissals.

Such a policy could only be secured with the support of the "social partners" and it was made possible because of the political loyalty of the trade unions to the socialist government. Their acquiescence has led some observers to describe social partnership as a voluntary incomes policy. The effect was to spare Austria the social conflicts seen elsewhere in Western Europe.

Austria has an annual unemployment rate of less than 5 per cent and strikes are so rare that they are calculated in minutes rather than days.

The price of this strategy was a spiralling budget deficit and growing national debt, both problems inherited by the present government in May, 1983, which in addition has had to meet increasing demands for subsidies.

Some of OIAG's problems can be explained by its size and decentralised structure. The group, already subject to considerable political and regional pressures, has become unmanageable to a point where the management board and the minister responsible have appeared not to know what is really going on.

Mr Lacina, for example, was genuinely surprised by the scale of Voest-Alpine's losses, believing until the last minute that Voest-Alpine's Intertrading's deficit would be nor more than a few hundred million schillings. A few days later, on a television programme, he learned for the first time that the subsidiary of another state-owned firm undertook similar oil futures transactions.

The problem may be that OIAG is trying to do too much.

It employs more than 100,000 workers and almost one-fifth of Austria's industrial workforce. In 1984 the turnover of its manufacturing companies was in excess of Sch 148bn ($8.4bn) accounting for 22.5 per cent of all Austrian exports.

Efforts to restructure the group have met resistance from trade unions, Socialist and even Conservative politicians fighting to preserve strong vested interests.

Efforts to restructure have had some success. Companies have been trimmed, some production lines have been closed, and new technology introduced, but the changes have been slow. Voest-Alpine's troubles are to some extent the result of unsuccessful diversification. A microchip plant set up in Graz in a joint venture with American Microsystems of the US is losing money, while a majority participation in Bayou Steel Corporation in the US is estimated to have lost the company more than Sch 5bn since it was established in the late 1970s.

Voest-Alpine's losses have raised a question over accountability in the whole of the state sector. The Government intends to bring in new regulations to increase the personal responsibility of senior and middle managers, and improve internal communications within the group. The management board of OIAG will be given more powers and new laws will be introduced to allow it to function adequately as a company executive board, rather than as a loose holding company. Politicians should also stop interfering with the running of companies, Mr Lacina bluntly told Parliament.

Also, OIAG has been asked to prepare by early next year a plan for further restructuring of its industrial empire and especially for Voest-Alpine and VEW, its two big loss-makers. Only then will the government provide new subsidies which unofficial estimates suggest could be between Sch 15bn and Sch 20 bn, in the next three years. Voest-Alpine alone is expected to need another Sch 10bn.

Future appointment will be made on the basis of competence not on political grounds, the minister says. Under Austria's social partnership, appointments on the board of directors are usually shared out between Conservatives and Socialists. Political patronage and the membership of a political party thus often determine advancement. This system is now increasingly regarded as a major cause of inefficiency.

Private entrepreneurs in charge of Austria's successful small and medium-sized industries, which account for the bulk of Austrian exports, remain sceptical about the government's intentions and capacity to effect real change.

Industrialists nevertheless hope that the crisis will spur the government to act. Either way the state industries are heading for difficult times and at least the Voest-Alpine affair has given urgency to an overdue Great Debate.

Men and Matters

Peruvian comfort for bankers

When Richard Webb was relieved last week of his job as governor of Peru's Central Bank, it looked as though he might be leaving government altogether. But now he has been appointed special adviser to Prime Minister, Luis Alva Castro.

The move should provide some comfort to the international banks. Even if their debts are not being serviced, at least they will know that Peru's best economic brain will be giving thought to the problems of turning round the embattled economy.

Webb's five-year term at the central bank should have ended four months ago. He had resisted strong pressures during the final months of the Belaunde administration to leave early. President Belaunde had favoured an agreement with the IMF to ease Peru's financial problems. Webb was against it.

Peru's radical new President, Alan Garcia, could then find no one to take the job—and hung on to Webb because of his immense experience and close knowledge of foreign bankers.

Webb, 48, who was educated at St Andrews and Harvard, seemed happy enough last week to hand over when a successor was finally found—one-time World Bank official Leonel Figueroa, still in his 30s and previously the country's chief foreign debt negotiator.

Webb had planned to resume university lecturing and do some private consultancy work. But it seems the government believes his services are too valuable to allow them to be privatised.

Time of change

Stock Exchange officials in Hong Kong have decided to delay the official opening of the territory's new unified exchange until October next year in the hope that the Queen will perform the ceremony.

Hearing that the Queen would be visiting Hong Kong between October 21-23 on the first leg of her trip to China, Ronald Li, acting head of the exchange, and other officials, promptly consulted the Chinese almanac for 1986.

They discovered that October 22 is "an excellent day for opening markets"—and let it be known that if the Queen is willing to officiate, then that should be the day.

Unaccustomed as it is to being pushed into anything, Buckingham Palace has simply said that the Queen is considering the request.

If she agrees, it will be interesting to see whether she follows the guidance of the territory's revered soothsayers, and opts for October 22.

Perry's chair

Jack Perry has pulled off a rare academic feat by being made a visiting professor at the age of 70 after a lifetime in business.

He will have to live on the job, however. He is the first foreign businessman to be made a visiting professor of the university of international business and economics in Peking.

"But it will be a joy," he tells me. "My firm has an office in the city and I look forward very much to spending a year or two there. It will be a chance to influence the future trade leaders of China, who are almost all recruited from this academic institution."

Perry is chairman of London Export Corporation (Holdings). He founded the business 34 years ago for the specific purpose of opening up trade with China. Since then, he says, Chinese business has been his life. His company is now

"Downing Street wants to know if we have one that delivers rockets to the Department of Trade and the Ministry of Defence at the same time?"

handling trade worth some £400m a year.

He has made over 40 visits to China, has done some lecturing at various Chinese universities, and is currently the vice-president of the 48 Group of British Traders with China.

More space

International frontiers are opening up at an increasing rate for one of Britain's leading space scientists.

Dr Alan Gabriel, currently head of the space and astrophysics division at the Rutherford Appleton Laboratory near Oxford, is to take charge of new French laboratory in space sciences. He will be particularly involved in planning a joint French-Soviet mission to Venus in the early 1990s.

Gabriel says he has no regrets at leaving Britain when the country is setting up a new national space centre. "It's not really a question of switching loyalties as I will be heavily involved in European-wide space projects in which Britain plays a part."

Gabriel can scarcely be blamed for taking the opportunity of working in France, where the country set up its own space agency in the early 1960s, and where the budget for space activities is about four times higher than in Britain.

The British space scientist will take up the post of director of a new Institute for Space Physics at the University of Paris-Sud at Orsay near Paris. The Institute will have a staff of 150 and spend about £4m a year.

Club benefits

Middle-aged week-end golfers, dispirited by a fading ability to get the ball off the tee, might benefit from the experience of Viscount Falkland, the 50-year-old Social Democrat peer. All they need is a seat in the House of Lords.

Falkland recently told his peers that on succeeding to the title and arriving in the Lords "feeling rather tired and weary," he looked around and found that he was really quite young.

It has been such a heartening experience, he said, that not only does he feel much younger, but he is also "driving the ball a good deal further."

Promotion?

A hint from General Alexander Haig, aged 61, the former US secretary of state in London, at the weekend, that he may still harbour ambitions for the presidency of the US.

He told the Labour Committee for Trans-Atlantic Understanding: "Every time I see Reagan I wish him well—for the next three years."

Observer

Letters to the Editor

Protecting the innocent in the tin crisis

Sir,—As an interested party, I am concerned that the eventual solution to the present tin *crisis* may well result in a complete miscarriage of justice. By this I mean the protection of the guilty and the punishment of the innocent!

I read (December 12) that at a meeting of the International *Tin Council* and *selected* metal brokers, everyone was thinking of trading *starting some time in* the New Year. Suggested opening dates for the resumption of tin trading keep on being postponed and I am beginning to *suspect* that *it would very much* suit ITC if this resumption could be postponed until after January 23 1986. By this date every three-month contract will have passed its prompt date and so *presumably* would have to be immediately settled on the first day of trading. The thought has occurred to me that by imposing an artificially high price for *just the first day, losses* to the ITC could be slashed. If in *addition, no new positions* in tin were allowed to be opened on this first day, it would mean that on the next day when the market price was allowed to *find its own level, there would* be no open positions left. I may have an overly suspicious mind but there does not seem to be any great urgency at the moment to settle the crisis.

I believe a *much fairer* solution and one that would protect the innocent traders would be to state now that no matter how long the tin market is closed, each contract that was opened on October 24, would be allowed *to run for an extra period* to compensate fort he period of closure. Thus, if the market remains closed for three months, a tin position that was due for *settlement on October 28,* would now be due for settlement on January 28. This gives innocent parties who had entered three-month contracts, the same amount of time as they were entitled *to* when *the contract* was entered. Nobody wishes the tin crisis to cause bankruptcies or financial disasters but equally there seems to be no reason why the innocent should be punished.

V. A. Harrison,
Ashley Harrison & Co.
94 High Street,
Henley-in-Arden,
Solihull.

The real meaning of training

From Mr R. Garstone

Sir,—*In* his *Job Column* (December 12) Michael Dixon tries to identify the reasons underlying the apathetic approach reported by Coopers *Lybrand to all* matters other than sending the "crown prince" to Ashridge or Harvard Business School at a cost of several thousands of pounds. May I suggest that he himself considerably understates the true importance of the training function in his definition as "instruction in specific skills."

As a line manager converted to trainer in an effort to get *things* done properly, I can understand his point of view, for many industrial trainers are only instructors and often have been shunted into "training" as somewhere out of the way. What I do not understand is the acclaim accorded to a race-horse trainer when the real trainers who contribute far more to the nation's coffers than, say, Henry Cecil's annual *prize money, go unsung and* unseen.

Training in race-horse terms means identification and selection of the right qualities for a given job, prescribing an exercise and dietary regime to achieve fitness for purpose, building stamina, selecting appropriate exposure to progressively increasing challenges, and finally ensuring that the animal arrives at the start totally prepared to complete the allotted task successfully—just *like industrial training. So why* the difference. The prizes for success in industry are infinitely greater than a gold cup for effort.

And, of course, most of the actual training and schooling is carried out far from the glamour and glitter of the winners' enclosure—just as in industry.

May I propose two things—"*training*" *means doing the job* better, and making a bigger contribution—and that training is now, was, and always shall be the direct responsibility of the *line* manager. *Like* safety, it is a buck that must not be passed.

Robin Garstone.
7, Pearces Meadow,
Nettlebed, Oxon.

Solicitors and commission

From the President,
The Law Society

Sir,—Clive Wolman in the *Lombard* column (December 13) makes an inaccurate and damaging statement, about solicitors. He states that if solicitors recommend endow*ment mortgages to their clients,* they are free to pocket the insurance company's commission. This is not so.

The guide to professional conduct of solicitors requires that solicitors disclose to their clients any secret profit or commission, and that only with their *client's agreement can it* be retained by the solicitor.

C. A. B. Leslie.
Law Society's Hall,
Chancery Lane, WC2.

Interest on life policies

From Mr T. Oppé

Sir,—Referring to Mr Richer's letter (December 11) it must be borne in mind that the proceeds of life insurance policies cannot legally be paid out until the death of the life insured has been proved and the entitlement of the claimant has been established. It is the latter that can cause delays over which a life office has no control. Moreover *it is the practice of many life* offices to pay interest commencing at a date *earlier than the* two months stated in the proposed revised statement of long term insurance practice.

There is no question of large sums of money being unfairly withheld from beneficiaries.

T. H. M. *Oppé*
(Secretary-General, Life Insurance Council),
Association of British Insurers,
Aldermary House,
Queen Street EC4.

Tracking monetary aggregates

From Mr B. Durrant.

Sir,—I write in response to Michael Beenstock's article of December 11—"*Diminishing* relevance of sterling M3." His main thesis is that "because the banking system has become increasingly competitive £M3 has become less inflationary than it used to be while the significance of MO for the control of inflation has been correspondingly increased."

It is true that £M3 becomes a less reliable indicator of *future inflationary trends* if the velocity of circulation is changing dramatically. The declining turnover of sterling M3 partly reflects the increasing proportion *of broad money* set aside *for* investment balances rather than transactions purposes—a consequence of high real returns available on bank deposits. This does not, however, amount to a reason to *downgrade* £M3 in favour of MO.

The value of tracking monetary aggregates is that they are supposed to provide informa*tion about future developments* in the behaviour of output and inflation. In this respect MO is useless. It is difficult to imagine a monetary aggregate *which is more purely "demand*-determined," ie, it faithfully reflects the current level of money income. It may be well-behaved statistically but adds little to our knowledge of the economy.

Professor Beenstock suggests that, for presentational purposes, sterling M3 should be abandoned in favour of MO. If a motorist was unfortunate *enough to have his front wind*screen shattered by a stone, presumably Professor Beenstock, for presentational purposes, would advise the motorist to drive on because the view in the rear-view miror is unim*paired.* Why not replace the windscreen?

Brian Durrant
(Chief Economist),
LHW Futures,
3-5, Wardrobe Place, EC4.

Antique style at the top

From Mr B. Dowling

Sir,—I was delighted to read in Colin *Amery's* article (December 9) that the committee at Lloyd's has expressed its own opinion of the inescapable insult it has done to the *skyline and vistas of our City* by deciding "it wants to escape from the world of high tech*nology on the top two floors* and has commissioned a leading French decorator to do up the rooms in a nantique style."

Such candour does the *committee* credit.

Brian Dowling.
1 Meadow Croft,
Hawthorne Road,
Bickley, Kent.

Patents and litigation

From Mr J. Boff

Sir,—Mr Hermann's article *(December* 5) raises some important points concerning the cost and complexity of patents litigation. In particular, the excellent review of current litigation procedure highlights the absurdity of attempting to solve *what* are essentially technical questions in a traditional legal framework.

Considerable savings in time and cost could readily be *achieved if the technical questions* of infringement and validity were separated from the legal questions of remedy.

The Patent Office is deemed *by legislation to be capable of* handling questions of validity and infringement; but only in certain limited circumstances. Patent Office procedure relies primarily on an exchange of written submissions followed by a hearing; the points to be decided at the hearing having been established in the written *submissions. Such a procedure* is quick and cheap in comparison with High Court litigation where it is all too common for both parties to be in the dark as to the points to be argued.

If legislation were passed *such* that the Patent Office determined the technical questions of infringement and validity and referred the matter of remedy to the courts, then the best possible result would be obtained; technical matters being decided by technical people and legal matters by legal people.

The same type of division of responsibility could remove the need for the proposed Common Patent Appeal Court. The present justification for this *animal is that it would ensure* a common standard of patentability in the EEC. If the technical questions of infringement and validity were determined *by the European Patent Office* at the outset of proceedings and the relevant national court determined the remedy, then this object would be simply achieved. *Of course this is* too simple and sensible for the EEC.

UK patents litigation procedure is the most expensive in Europe. *It is no use providing* the "Rolls-Royce" of procedure if small and medium size companies can only afford a "Mini." Pity the individual inventor and innovator, much beloved of popular mythology, who cannot afford *even* a moped.

J. C. Boff.
84 Catlins Lane,
Pinner,
Middlesex.

Wheat starch refund threat

From the Managing Director,
Tunnel Refineries

Sir,—I read with interest the article by Mr John Cherrington on December 10.

It is important to realise that following significant investments, the UK wheat starch industry is currently using in excess of 330,000 tonnes of wheat for conversion into food ingredients as well as industrial *products.* This industry's potential, given the right incentive and long-term manufacturing climate by HM Government, could convert over 1m tonnes *of wheat annually* in the UK, into these much needed processes and products.

The industry, as Mr Cherrington rightly points out, cur*rently receives a production* refund of approximately £16 per tonne of grain used but this production refund, which is encouraging the utilisation of wheat, is currently under threat from the Commission which is in the process of reviewing the starch and sugar industry.

In the debate in the House of Commons it was clearly pointed out by Mr Guy Barnett MP, that the cost of storing wheat and then exporting it out of the EEC is nearly *£70* per tonne, as compared to the present *starch industry refund,* which has until now encouraged the utilisation of wheat.

Loss of this refund and consequent reduction of this *potential outlet for UK wheat* will also reduce the availability of UK gluten that has enabled the milling and baking industry to consume large quantities of *UK wheat for bread-making.*

We believe that both agriculture and industry should be made more aware of this impending situation.

H. Fox.
Thames Bank House,
Tunnel Avenue SE 10.

Pension fund surpluses and true valuatians

From Mr G. Keating

Sir,—Pension fund surpluses can be cut without any improvement in *benefits or reduction* in contributions. A company or *its* actuaries can translate a massive capital gain on the stock market into a very modest surplus, simply by changing to more cautious valuation assumptions. *The motive for this* change might be to deflect the *attentions of* the Inland Revenue, to hide errors in earlier assumptions or just to avoid upheaval, but the message is clear. Companies should ask their advisers *for a valua*tion on last time's assumptions as *well as the new basis,* with an explanation for any change. Predators should check carefully for any evidence of such changes — if a company pension scheme is not showing a substantial surplus now, then why not? Both *should consider* the true valuation of the fund, based *on the current market* value of its assets, rather than on imaginary low prices.

Estimates by Michael Smyth and myself show pension fund surpluses for the UK as a *whole* of some £50bn. This figure emerges *when the actuaries'* assumptions are taken to be unchanged over *several* years, and perhaps this is why our estimates have incurred aggressive criticism from Mr Wilkie (December 9). Whatever his reasons, Mr Wilkie's accusations are serious. He claims that we have "misunderstood the workings of pensions that our results are "spurious," and that we should try again.

These charges are not supported by the *evidence.* Mr Wilkie suggests that we assume *pension* benefits are linked to prices, not wages. He also asserts that we make no allowances for benefit improvements since 1972. He is wrong on both counts.

We use an equation for average benefits that allows for a rise over time. The increase *is relatively rapid in the 1950s* and 1960s when most schemes were in their infancy and coverage was widening. The growth slows gradually during the 1990s and beyond as schemes approach maturity. *This growth is not imposed, but* estimated from more than a quarter century of data.

In addition, our equation ensures that benefits rise in line with nominal GDP. We use GDP, not wages, to allow for the real cuts in current pensions that occurred in the mid 1970s and early 1980s when output fell but real wages did not. *The distinction between* GDP growth and wage rises is important over periods of up to about 10 to 15 years, but becomes unimportant over longer periods unless the share of wages in GDP rises or falls indefinitely.

Mr Wilkie criticises us for *using data on life* assurance business combined with pension funds. We would have been delighted to have based our analysis on data for the pension funds alone.

We were however, informed that such data are not available and cannot easily be obtained, because *of the life companies'* accounting procedures. Does Mr Wilkie have a time series for assets, contributions and benefit payments broken down between these sectors?

Mr Wilkie implies that unexpected rises in the *nominal* level of asset prices are irrelevant because they are accompanied by an offsetting fall in real yields. This has sometimes occurred, but over the last five years there has been a sharp increase both in the prices of gilts and in their real yields. The pattern for equities and foreign assets has been similar. *This improvement in both* asset prices and real returns is one of the main reasons for the pension surpluses.

A further issue is the financing of enhanced pensions for early retirements. Mr Wilkie *does not mention that many* companies made special extra payments into their pension scheme to cover the cost, so there was no additional burden imposed on the scheme. Extra payments of this type were *widely quoted as a reason for* the rapid growth in contributions to the pension funds from 1981.

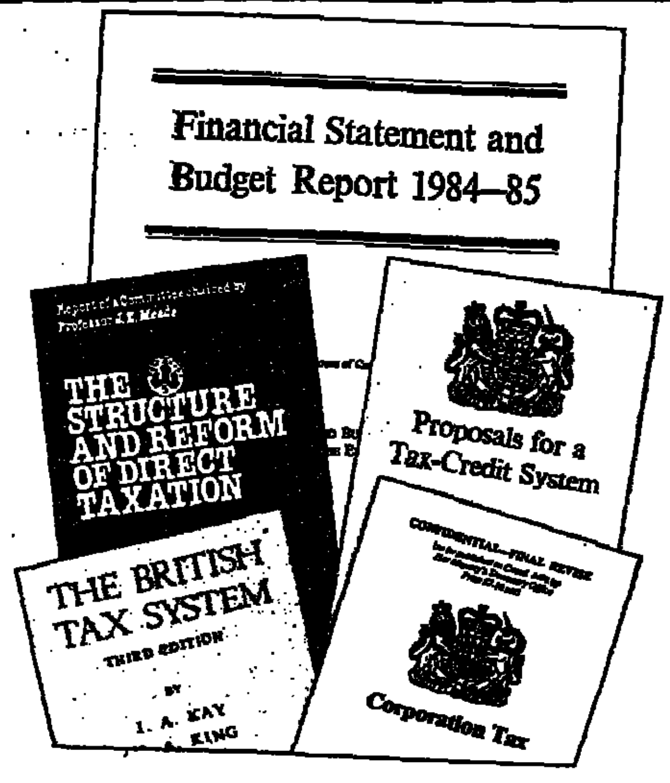
Before Mr Wilkie accused us of ignorance about the workings of pension funds, he should have checked his own understanding of econometrics *and the methods of economists.*

Giles B. Keating,
(Editor LBS Financial
Outlook),
London Business School,
Sussex Place,
Regent's Park NW1.

SOME COMMENTATORS have suggested that our entire income based tax system should be replaced with an expenditure based system. Even if a root-and-branch change of this kind were desirable, it would, I believe, be wholly impracticable and unrealistic.

But I do not believe we can afford to opt for the quiet life and do nothing. So I have chosen the middle way, to introduce reforms, some of them far-reaching, within the framework of our existing income based system.

—Nigel Lawson,
Budget speech 1984.



The CBI gives Lawson some food for thought

By Michael Prowse

WHAT *Mr Nigel Lawson,* the Chancellor, dubbed 18 months ago as wholly impractical and unrealistic was yesterday put forward by a group of sober businessmen as the only logical long-term reform of the British tax system. A Confederation of British Industry working party, led by Sir Trevor Holdsworth, chairman of GKN, and consisting almost entirely of senior executives of public companies has recommended *that "taxation should be levied* on spending and on transfer of wealth rather than on earnings and savings."

The working party bases its proposals for long-term reform on three principles. The first is "*fiscal neutrality*": the notion that taxes should interfere as little as possible with business and personal decisions—in other words the tax system should cause the minimal distortion of product, labour and financial markets.

The second principle is that good taxes are those that are "perceptible" rather than hidden from the electorate. Visible taxes bring out the true burden imposed by heavy *public spending.*

The third principle is that effective support for the needy and less fortunate is an essential part of any reform seeking to secure the long-term health of a growing economy. Generous and cost-effective support requires the targeting of social security benefits and, as important, the formal integration of the tax and social *security systems.*

Armed with these apparently uncontroversial principles, the CBI working party has outlined the structure of an "ideal" tax system. The main elements are:

- *An* "expenditure" base for direct taxation—in other words people would pay tax only on the income they consume; all net savings and investment would be tax-deductible but there would be no other exemptions.
- A single rate of direct tax of, say, 40 per cent. This is higher than the present basic rate because employees' national insurance contributions would be replaced by a social security tax.
- High tax thresholds plus "really adequate" social security benefits paid through the tax system but limited to those identified as in need. In other words the children of the rich *would not qualify for child* benefit.
- Value added tax broadened to cover virtually everything presently excluded including food.
- Gifts and bequests, other *than those between spouses,* taxed at the standard 40 per cent—in other words to be regarded as expenditure by the donor.

Put like this, the working party's proposals may not sound *so very radical. However, this* "ideal" structure involves the abolition of the following: mortgage interest relief, non-domestic rates, corporation tax, capital gains and capital transfer tax, and employers' and employees' national insurance contributions. Small wonder then that the package is presented only as a long-term goal.

In scope and economic *lucidity* (although not in its final conclusions), the CBI paper is reminiscent of the US Treasury's 1984 blueprint for tax reform. The same effort has been made to take a global view of an existing fiscal regime *and to propose* a coherent package of reform based on economic theory rather than legal precedent. Indeed, the CBI document might be regarded as a substitute for the wide-ranging green paper on tax reform that the UK Treasury under Mr Lawson might have been expected to produce but in the end did not.

In the past 15 years, successive British governments have made numerous *ad hoc* stabs at *tax reform. There have been a* host of green papers, coupled with ceaseless tinkering with the tax system by successive Chancellors.

All this effort has, however, added up to very little. The British tax system remains exceedingly complicated and exceedingly far from the ideal of fiscal neutrality. What has been missing in official thinking has been a coherent long run *strategy: the exigencies of* politics may mean that only incremental progress is possible in any given Budget, but this makes it more important that the incremental changes are all in the same direction and add up to something worthwhile in the longer run.

The difficulty of achieving durable reform without an explicit blueprint setting out longer term goals is highlighted by Mr Lawson's experience. It is hard now to remember quite how much excitement about tax reform was generated in the 1984 Budget. The changes to corporation tax were widely regarded only as a curtain raiser to sweeping reform of personal tax. This did not materialise partly for political reasons but also because the Chancellor's "middle way" actually led *nowhere.*

Mr Lawson's corporation tax changes and his eventually abortive attempt to tax pension funds both ran against a strong *intellectual tide.* Both were inconsistent with a move from an income to an expenditure based tax system. The CBI working party, for example, proposes the re-introduction of capital allowances for industrial investment (at 75 per cent rather than 100 per cent of allowable expenditure) and the "levelling up" of tax exemptions in the savings market (all *forms of savings including in*dividual share purchases, it says, should enjoy the present privileges of pension funds).

The CBI's endorsement of the *expenditure tax approach to* fiscal neutrality does not come as a complete surprise. Its research was directed by Mr Stanley Wright, a former mer*chant banker and senior* Treasury official, who not only participated in the Heath Government's attempts to straighten out the tax system but who also sat, briefly, on the Meade Committee, which reported in 1978. It was Professor James Meade, a Nobel laureate in Economics, who first put the case convincingly for a shift to expenditure-based taxes.

Academics interested in fiscal neutrality have long favoured the Meade approach. The most encouraging aspect of the CBI report is that businessmen have finally *climbed aboard the same* bandwagon, recognising the *superiority* of neutrality to *ad hoc* attempts to help specific industries. Early next year the Treasury is due to publish another green paper on tax *reform. The danger is that it* will concern itself with narrow questions about matrimonial taxation and the transferability of tax allowances. Given existing *anomalies it would be help*ful if Mr Lawson also made an effort to tackle bigger questions—the most important of which is the appropriate tax base for the 1990s.

FINANCIAL TIMES

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LATIN AMERICANS MAY PROPOSE ALTERNATIVE SCHEME FOR DEBTORS

Cartagena counter to Baker plan

BY JIMMY BURNS IN MONTEVIDEO

PRESIDENT JULIO Sanguinetti of Uruguay yesterday signalled that Latin American countries might be on the verge of formulating a bold counter-proposal to the Baker Third World debt initiative in an effort to arrest more effectively the flow of capital from the region to industrialised nations over the next three years.

Inaugurating the fourth ministerial meeting of the 11-nation Cartagena group of Latin American debtors owing more than $350bn, President Sanguinetti said the Baker plan had recognised the political dimension to the current debt crisis but it was "insufficient" as a short-term solution.

Mr Sanguinetti did not spell out what form the counter-proposal should take, but the ministers appear to have taken the speech by Cartagena's ad hoc secretary as a clear mandate to move beyond mere rhetoric and towards the adoption of more concrete measures during the two-day meeting.

The ministers will discuss proposals formulated by the technical meeting of the group. The proposals are expected to focus on a call for greater funds than those envisaged under the Baker plan.

"It is no longer sufficient that we simply recognise the problem. We need to take greater and bolder steps. We need to understand that we are in an emergency situation, and that the time has come to take emergency measures," he said.

President Sanguinetti's speech – warmly applauded by the 11 foreign and finance ministers, present – falls well short of the public endorsement of the Baker plan announced over the last two weeks by multilateral agencies and commercial banks.

President Sanguinetti, however, appeared anxious not to convey the impression that the group was bent on confrontation, signalling instead a new mood of pragmatism mixed with tactical militancy.

He specifically ruled out a repudiation of the foreign debt as "demanded by some countries who declaim one policy and in practice follow another" – a tacit reference to Cuba, which this year tried to get the Cartagena group to support its call for a unilateral moratorium while maintaining the best of relationships with its Western and Soviet creditors.

Mr Sanguinetti singled out Argentina as an example of "discipline and rationality," although at no point did he explicitly mention the International Monetary Fund, the conditionality of which has been questioned publicly by some countries.

The speech urging ministers to provide the region's presidents with "tools with which to build" a more foolproof solution to the debt was interpreted as confirmation that the Cartagena group might be moving away from rhetoric and towards producing specific counter-proposals aimed essentially at taking the Baker plan a step further to ensure growth while providing immediate relief to cash-strapped nations.

Proposals by experts of all 11 countries are understood to involve greater funds than those made available under the Baker plan. There are also new, improved terms and conditions on new commercial loans and extended export credits as a way of compensating for what Mr Sanguinetti yesterday described as a "dramatic" fall in commodity prices in addition to persistently high US interest rates.

Mr Dante Caputo, the Argentine Foreign Minister, predicted that the ministerial meeting would produce concrete proposals covering the next two to three years, although he would not be drawn on the details.

Statements by other Latin American ministers yesterday suggested an unsuspected degree of consensus not to reject the Baker plan outright.

Even the Peruvian Prime Minister, who is also in charge of the finance portfolio, Mr Luis Alva Castro, appeared to hold back publicly from pressing too loudly for anything that smacked of confrontation.

While insisting that the Baker plan "does not represent a solution to the problems of Latin America," he said it would be "arrogant" of Peru to try to impose its views on the Cartagena group.

"Each country has its own problems and we recognise that they may take a more moderate position."

Some observers, however, have not discounted the possibility that sharper political differences might emerge in the course of the next two days, undermining what appears to be an attempt to ensure the credibility of the Cartagena group as a force for change and development.

Brazil offers to negotiate, Page 4

Carbide launches $2bn share buyback

BY PAUL TAYLOR IN NEW YORK

UNION CARBIDE, the beleaguered US chemicals group, has launched a $2bn share buyback plan as part of a two-step "poison pill" defence in an attempt to block a hostile multi-billion-dollar takeover bid by GAF, the US special chemicals and building products company.

Carbide rejected GAF's sweetened $68-a-share or $4.2bn all-cash bid for the 90 per cent of Union Carbide it does not already own as "grossly inadequate and unfair". It said its board authorised the repurchase 35 per cent of its stock for a package of cash and notes it valued at $85 a share, or a total of $29bn.

The share buyback, comprising $20 in cash and $65 in intermediate and long-term debt securities, covers 23.55m shares and is open to all shareholders, including GAF, which holds a 10 per cent stake in Carbide, acquired earlier this year for $43¾ a share.

However, Union Carbide gave a warning that if GAF increased its existing stake to 30 per cent it would be excluded from a second stage of its anti-takeover defence under which Carbide would repurchase the remaining 35 per cent of its stock at the same package price.

If completed, that form of controversial two-step poison pill defence, which has been used successfully by other US groups to fend off unwanted suitors, might leave GAF in control of a chemicals giant laden with debt. It still faces billions of dollars in lawsuits stemming from the toxic gas tragedy that killed over 2,000 people and injured 200,000 at Union Carbide's plant in Bhopal, India, a year ago.

Union Carbide had been expected to resist the GAF takeover bid, although the share buyback plan still came as a surprise to Wall Street. The large proportion of debt securities contained in the Union Carbide buyback offer might prove a stumblingblock if shareholders view the securities as lacking marketability. Yesterday, in the wake of the announcement, Union Carbide's stock rose by $1 to $70¾ a share in early trading.

Mr Warren Anderson, Union Carbide's chairman, announcing the $4bn defence plan, described the GAF bid as "a bootstrap, junk bond, bust-up partial takeover." Mr Samuel Heyman, GAF's chairman, earlier sweetended its original cash and paper takeover offer to an all-cash bid and offered to discuss "any aspect of its proposal, including price, whether or not there are other bidders." That proposal was seen on Wall Street as an indication that GAF might be willing to raise its bid.

GAF is expected to challenge the poison pill defence in the courts.

Belgian police arrest terrorist suspects

By Quentin Peel in Brussels

BELGIAN POLICE yesterday arrested four terrorist suspects in what might be the long-awaited breakthrough after 27 bombings claimed by the so-called Fighting Communist Cells (CCC) group since October last year.

Officials of the Justice Department said the arrests, in Namur, 50km south of Brussels, also netted a cache of "heavy arms" and included the apprehension of Pierre Carette, a long-standing Belgian left-wing activist associated with the French group Action Directe. The three other suspects in detention were also said to have been known to the police.

The outcome of the operation, which involved secret service, national and local police, will come as a considerable relief to the Government, which has endured fierce criticism from the public for failing to halt a wave of violence. That has included an intensive campaign of bombings attacking banks, companies and Nato installations.

The most recent of those was last week when for the first time the CCC group claimed responsibility for an attack on a Nato fuel pipeline outside the Belgian border in France.

However, a separate group of supermarket raiders, known as the Brabant Gang, are still at large. While the CCC appear to have attempted to avoid killing – the death of two firemen at one bombing was widely attributed to police error – the supermarket gang have systematically fired on innocent bystanders, killing more than 20 since they first emerged in 1982.

Pierre Carette first came to public attention in the 1970s as a public supporter of jailed terrorists in West Germany.

Shareholders back Westland

Continued from Page 1

tered to requisition such a meeting.

So far, Lloyds Merchant Bank has been unable to gather such support among insitutional shareholders, which include the Prudential, Allied Unit Trusts and Touche Remnant. However, they can count on the backing of Mr Alan Bristow, the former boss of Bristow Helicopters, who mounted an £89m City consortium bid for Westland earlier this year.

Mr Bristow, who called off the bid when he discovered the parlous financial state of Westland, said last night that the US deal had been concluded with "indecent haste" and would reduce the Westland workforce to "a bunch of eunuchs" relying on US sub-contracting work.

The offer which the European consortium will submit to Westland's shareholders involves two key elements: an offer to subscribe £30m for new capital in the company, contributed equally by the four companies, which could be increased "if necessary"; and an offer of new work to tide Westland over the next four years before work begins on a new naval and utility helicopter, the EH 101, jointly with Agusta of Italy.

The new work, which is estimated to amount to some £135m would be transferred from Aerospatiale and Agusta. There would also be an order for six more Sea King helicopters from the British Ministry of Defence, made possible, officials say, by savings which would come from future collaborative helicopter production.

The offer of the consortium was submitted to Lazard Bros, last Friday.

It consists of the main offer as detailed by Lloyds, with letters from Aerospatiale and Agusta, together with political undertakings from the Defence Ministers of France, Italy, Germany and Britain.

In an accompanying letter, Mr Michael Heseltine, the UK Defence Secretary, makes clear that the undertakings are conditional on the European offer being accepted by Westland. They cover the general willingness of the four governments to collaborate on the production of the three main types of military helicopter – the new heavyweight utility aircraft, the EH 101, being developed by Agusta and Westland, a middle weight helicopter for development by the four countries and the Netherlands, known as the NH 90, and the possibility of a joint light attack helicopter.

This aircraft is the subject of a second provisional agreement arrived at late last week when the four ministers managed to reach an agreement that has long eluded them on the development of a single battlefield helicopter. This would replace rival plans for an Anglo-Italian aircraft and a Franco-German one.

● **Laura Raun in Amsterdam writes:** The Netherlands has also thrown its weight behind the European solution for a rescue of Westland by suspending talks on purchasing a new anti-tank helicopter from the company.

Mr Jan van Houwelingen, the Dutch State Secretary of Defence, said over the weekend that he had halted discussions until a choice is made between the competing rescue offers.

UK plans welfare state changes

Continued from Page 1

Lobby groups for Britain's poor remained unimpressed with the plans and were especially critical of the plan to make every householder, regardless of means, pay 20 per cent of his or her domestic property tax bill. One group calculated that this, coupled with £450m in cuts in the overall housing benefit budget, would mean a 24-year-old single person earning £65 a week and paying £15 a week in rent and £8 in property tax would be £13.70 worse off altogether.

As far as can be judged from the technical annex to the White Paper there will be more overall losers than gainers in virtually all sections of the poorer end of the population with the exception of poor young families with children. Even then, some of the extra help for the very poor families will be at the expense of other "moderately" poor people.

Some tables indicate no immediate losers because the Government will protect people's "cash position at the point of change" so they do not lose dramatically overnight. The protection will cover a 12-month period. But many calculations are already redundant because they fail to take account of the fact that everybody will have to pay 20 per cent of their own property tax bill after Mr Fowler's failure to persuade Mrs Margaret Thatcher, the Prime Minister, to recommend to her Cabinet an exemption for old age pensioners.

The effects of structural changes, taking this property tax provision into account, show as big losers: pensioners between 60 and 79 (especially single pensioners), the unemployed without children, and all non-pensioners without children, especially the single under-25s.

The gainers are the sick, disabled, lone parents, low income couples (with children) in full-time work.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Dubrovnik	S	15	59	Malaga	-	—	—	Salzburg	R	9	48
Akrotiri	F	19	64	Faro	S	15	59	Malta	S	16	61	Seoul	S	-7	19
Algiers	-	—	—	Florence	C	5	41	Manila	C	30	86	Singapore	F	26	79
Amsterdam	C	10	50	Frankfurt	F	11	52	Miami	F	15	59	Stockholm	C	-5	23
Athens	S	15	59	Funchal	F	20	68	Milan	S	5	41	Strasbourg	C	9	48
Bahrain	S	22	72	Geneva	Fg	2	36	Moscow	Sn	-3	27	Sydney	S	28	82
Bangkok	S	27	81	Gibraltar	S	15	59	Munich	R	7	45	Taipei	F	14	57
Barcelona	-	—	—	Guernsey	C	10	50	Nairobi	F	26	79	Tangier	-	—	—
Beirut	R	22	72	Helsinki	Sn	-5	23	Naples	S	13	55	Tehran	-	—	—
Belgrade	C	11	52	H. Kong	S	15	59	New Delhi	S	22	72	Tel Aviv	C	20	88
Berlin	C	8	49	Innsbruck	R	2	36	New York	F	1	34	Tenerife	F	20	68
Biarritz	S	13	55	Inverness	C	9	48	Nice	S	15	59	Tokyo	S	6	43
Blackpool	C	9	48	Istanbul	R	9	48	Oporto	S	13	65	Toronto	C	-7	18
Bordeaux	S	7	45	Jersey	C	10	50	Oslo	Sn	-2	28	Tunis	F	17	83
Brussels	C	9	48	Jo'burg	F	23	73	Paris	C	7	45	Valencia	S	18	64
Budapest	R	11	52	Las Palmas	-	—	—	Prague	C	9	48	Venice	S	5	41
B. Aires	S	31	88	Lima	S	23	73	Reykjavik	S	0	32	Victoria	F	11	52
Cairo	C	21	70	Lisbon	F	14	57	Rio de J'o	C	37	99	Warsaw	R	5	41
Cape Town	S	28	82	Locarno	S	9	48	Rome	S	14	57	Zurich	F	8	46
Caracas	C	27	81	London	C	11	52								
Casablanca	-	—	—	Los Angeles	F	13	55								
Copenhagen	C	5	41	Luxembourg	D	6	43								
Corfu	S	17	63	Madrid	S	7	45								
Dublin	C	11	52	Majorca	S	18	83								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Bonn orders Roland missiles

BY DAVID MARSH IN PARIS

EUROMISSILE, the Franco-German missile consortium linking Aérospatiale and Messerschmitt-Bölkow-Blohm, has signed a $700m order to supply the Bonn Government with 4,000 Roland missiles to defend US and West German air bases in the Federal Republic.

The contract follows an accord between the US and German governments in July 1984 paving the way for the deal. The missiles, deployed at 115 launch sites, will supplement longer-range air base defence to be supplied by US Patriot missiles. Delivery will begin in 1987 and stretch over two or three years.

Euromissile regards the order as giving its product an important reference from the US Air Force. That follows a setback when the Pentagon decided not to go ahead with earlier plans to produce Roland missiles under licence in the US.

The Roland, which can be mounted on a tank chassis or on air raid shelters, is capable of hitting supersonic aircraft, even at low altitude.

'Junk bond' takeover bid values MidCon at $2.6bn

By William Hall in New York

MIDCON CORPORATION, one of the largest US natural gas pipeline companies which has been the subject of perennial takeover rumours in recent months, has received a $2.6bn bid from two smaller US energy concerns which are rushing to beat the imposition of tougher Federal Reserve rules on "junk bond" financed takeovers.

The bid is the latest in a series of moves in the US pipeline industry which is going through a major upheaval. Falling gas prices and fierce competition brought on by the deregulation of the industry have led to several takeovers and industry analysts say that the industry shakeout is far from over.

WB Partners, a 50-50 joint venture between Wagner & Brown and Freeport-McMoran, yesterday began a $62.50 a share cash tender offer for all of the common stock of MidCon. The offer was pitched 75 cents above MidCon's closing price last Friday. In early trading yesterday, MidCon shares went to a small premium over the offer price and were being quoted at $62¾.

WB Partners intends to finance the deal with the proceeds from bank loans and a private placement of debt securities to be arranged by Drexel Burnham Lambert, the New York investment bank which specialises in placing high yield paper often referred to as junk bonds. Drexel says that it is "highly confident" that under current conditions, it can arrange the private placement by December 31 when a proposed new Federal Reserve Board interpretative ruling takes effect on margin requirements for the purchase of such debt securities.

Wagner & Brown is a closely held Texas energy group controlled by Mr Cyril Wagner and Mr Jack Brown, both of whom are close associates of Mr T. Boone Pickens, well known as a corporate raider. Freeport-McMoran is a New Orleans-based natural resources group with a current stock market capitalisation of $1.4bn and headed by Mr James "Jim Bob" Moffet.

The bid for MidCon comes only days after it had completed the $1.2bn takeover of United Energy Resources. The move was interpreted by many Wall Street analysts as a defensive move aimed at insulating MidCon from an unwelcome takeover approach.

The combination of MidCon and United Energy Resources has produced a group with a 30,000 mile pipeline network which stretches from Chicago to Texas and from the Rockies to Louisiana and the Gulf of Mexico and Florida. MidCon has denied that the takeover of United Energy was a defensive move to ward off corporate predators and said that the expanded network "will significantly strengthen" its ability to compete.

MidCon, which had revenues of $4bn in its last financial year, has nearly doubled in size since 1983, mainly through acquisition. Shearson Lehman Brothers, the New York investment bank, said in a recent research report that it expected MidCon to be "victorious" in the coming battle in the US gas pipeline industry.

WB Partners says that the bid is "consistent with the strategies of Wagner & Brown and Freeport-McMoran to diversify their assets in the natural resources field through a strong, competitive well managed company." If successful, WB Partners intends to leave MidCon's management in place and will operate it as an independent company which will keep its own headquarters, name and operations.

MidCon officials said yesterday that they were reviewing the offer, but Wall Street analysts familiar with the company said that they did not expect that it would be welcomed and speculated that WB Partners would have to offer upwards of $75 if they wanted to take control.

In the year to end September 1985, MidCon earned $4.89 per fully diluted share.

Goldsmith breaks up Zellerbach

Continued from Page 1

the existence of share-purchase rights, the "poison pill" defence mechanism, which Crown Zellerbach put in place during the preliminary skirmishes with Sir James. A key condition of the James River offer is that its advisers remain assured that the "poison pill" is not activated by the transaction.

Wall Street has been interested in the outcome of the Crown Zellerbach move since it was seen as a test case of the effectiveness of the poison pill device, aimed at making takeover bids more expensive for hostile bidders.

THE LEX COLUMN

Dogfight over Westland

The Westland balance sheet has been recognised for so long as a war-devastation zone, vacated months ago by a bidder who thought better of injecting £80m, that the mere existence of two competing rescue plans is a puzzle. For the Government to be seen squabbling about the choice between those plans is not nearly so remarkable. Whatever the politics of the affair, it is plain that almost any quick solution is preferable to prolonged debate; unless somebody puts more equity into Westland (and removes some debt) there will be nothing left to bicker about.

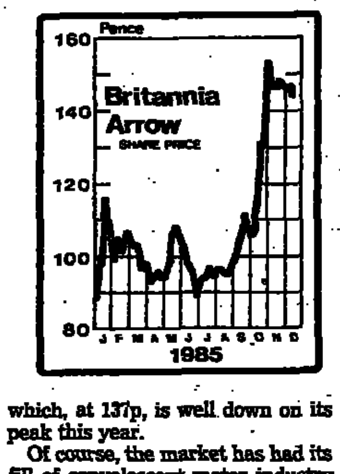
If the Government is indeed happy – Mr Heseltine apart – that removes a serious obstacle to the Sikorsky solution, which is in any case preferred by institutional shareholders and easier in practice to get off the ground; and if the MoD's preference for purchase of all-European helicopters has indeed been dropped, that might even open the military market to future Westland/Sikorsky craft.

That presumably means that the attractions of the European consortium, which has yet to show that its package will solve Westland's short-term cash problems, now depend much more heavily on its possibilities as the precursor of a European helicopter group. In the short run, the process of getting the necessary meeting requisitioned might in itself impose an unacceptable delay on Westland; Westland's management and auditors will know best whether they can actually afford to wait.

Rationalisation of an undercapitalised and over-ambitious European helicopter industry is something that should no doubt have been on the agenda four or five years since. Although crisis in Westland is a pretext for getting something done about these structural problems, earlier conveniently ignored, it does not provide ideal conditions for negotiating a stable outcome.

AE

It would have been a brave AE shareholder who predicted, in the midst of the GKN bid two years ago, that the company would be worth twice as much in the market by now and be producing 30 per cent profits growth almost as a matter of course. But yesterday's results, showing a £5.3m rise to £22.6m for the year to September, added just 2p to a share price



which, at 137p, is well down on its peak this year.

Of course, the market has had its fill of convalescent motor industry suppliers, and AE clearly cannot maintain this level of growth: return on capital is now 18 per cent against more or less nothing at the time the GKN bid was referred to the Monopolies Commission. What is clear is that AE spent enough on product development during the recession to be able to reduce dependence on the home motor industry – with the UK component of sales down to 44 per cent and falling fast; while the sheer volume of overtime worked at AE, however extravagant in profit terms, would provide a recessionary cushion even were investment in automation not running so far ahead of depreciation.

Meanwhile, aircraft components will be showing decent growth for some time and AE can only profit if the US auto industry continues its trend to outside sourcing – and the company's treasurers continue to hedge their dollar receivables so skilfully. Pre-tax profits growth of well above the likely market average looks well on the cards for this year. Oddly, AE is rated at under eight times this year's earnings.

Guinness/Britannia

Almost from the moment Guinness Peat launched its offer for Britannia Arrow the stock market has been hinting that, while 140p a share was no insult, the price for control was more like 150p. Yesterday the bidder took the hint and lifted the terms roughly to the level being discounted by the market.

GP might just have scraped home on the original terms but, with such a formidable duo as Lord Kissin and Mr Robert Maxwell apparently rallying to Britannia's defence, Mr Alastair Morton and his team would have been trusting to fortune. Institutional shareholders make increased offers almost a point of principle these days – witness the failure of a generous but unrevised offer for Matthew Brown – and with so many other bids around the Guinness Peat offer was beginning to look rather dull.

On a pro-forma basis shareholders appear to be faced with a stretched balance sheet – debt exceeds shareholders' funds on full acceptance of the cash alternative – and significant earnings dilution. But even if GP received a high cash take-up, which looks unlikely, the balance sheet could quickly be set right by fair value accounting and the sale of Singer & Friedlander. Earnings dilution, meanwhile, should be mitigated by the tax shelter on both sides of the Atlantic and by the sale of low-yielding assets, not the least of which is the corporate headquarters. Some institutions were selling Britannia in the market yesterday, just in case, but most will probably hold on and take GP paper.

British Sugar

S. & W. Berisford must be ruing the day it bought British Sugar Corporation. Back in 1982, it paid £282m for a company making pre-tax profits of £65m; since then, BSC has made less and less each year. Yesterday it reported an £8m fall to £53.6m, blaming everything in sight from the European Commission's pricing policy to the behaviour of the oil price and the weakness of sterling against the dollar.

Along the way was a depressed animal feed market and a weak sugar market. Since September, the company has been making life even harder for itself by leading a price war in packet sugar in an attempt to stop the new entrant – Napier Brown – from winning market share.

Were it not for the problems in packets, BSC should have been set for a better year: oil prices may well be lower, along with the prices it is paying farmers for beet. At it is, Berisford will not be able to rely on BSC to offset any losses it may suffer from its tin trading. It was only three years ago that Berisford's Mr Margulies of SWB was forecasting profits of £100m for the enlarged group by 1985 – now the market believes he will be lucky to reach £60m after finance costs.

JAPANESE INDUSTRY

A stronger yen and protectionist pressures in customer countries are presenting new challenges for Japan's industries. The big exporters are adapting by stepping up their investment in overseas production facilities.

The emergent multinationals

By Carla Rapoport

In Tokyo

ONE'S JOB is the core of one's life in Japan. Despite the patina of Western modernisation throughout the country, Japan is still a place where obligation —to one's family, to one's employers and to one's country — is still paramount.

The brightest students from Japan's best university vie with each other for jobs at Japan's top companies and top Government departments. It all makes for an industrial vitality with which it is hard for Westerners to compete.

Yet, despite its fertile cultural soil, the sympathetic bent of its Government and a remarkably stable political structure, Japan's industry is facing severe challenges. The way in which it is meeting these challenges is causing noticeable shifts in the country's industrial structure, in relations within industry between employer and employee and in the way Japan does business itself.

The first of these challenges is the product of exchange rate policy and of success itself.

Thanks to a weak yen and high productivity, Japan's industrial growth has been export-led over the last few years, with Japan building up power and trade surpluses with the West.

Pre-tax profits for Japan's top 400 publicly listed companies in the year ended last March increased by 21.5 per cent, compared with 13.5 per cent in the year earlier.

Demands for protectionist legislation in the US, plus a raft of anti-dumping suits from the EEC, however, look like calling a halt to this. A determined bout of intervention by the Bank of Japan in September has since led the yen to higher ground. It is now standing at a four-year high of around 200 to the dollar. Further, led by Prime Minister Yasuhiro Nakasone himself, the Government is pressing companies both to import more and build more production facilities overseas.

Toyota, Japan's largest car makers, for example, will break ground next year on its first US car plant. Matsushita, the world's largest consumer electronics company and one of Japan's major exporters, is talking about starting an import company next year.

Still, the yen's sharp appreciation for the most part has been swallowed by Japan's industry with few complaints. Most exporters are now working to wring further efficiencies out of their production line, or gearing up for new products that can command a better price. Anyway, outside Japan most Japanese companies say their main competitors are other Japanese companies, who, after all, have the same currency problems.

Companies may, however, be underplaying the yen's effect on their export strength, as GNP growth is already projected to be markedly affected by the yen's appreciation. Some overseas production has now become vital for most large exporters.

Just how soon Japan's companies can by investing overseas transform themselves into multinationals along the lines of their counterparts in the US and Europe is unclear, though there are signs that the traditionally slow pace of change is picking up. The Ministry for International Trade and Industry (Miti) reckons that overseas investment by Japanese companies is now growing by 14 per cent a year, compared with around 6 per cent domestically on average. By the year 2000 Miti reckons 10 per cent of Japanese production will be offshore, compared to 3 per cent currently.

A further challenge is presented for Japanese industry by economic pressure both at home and abroad. The economic outlook for two of its prime trading partners, US and China, remains uncertain. Japan's export-led machine tool industry, which came from nowhere in ten years to become the world's leader, is now getting anxious over its future prospects. "Our orders were very strong at the beginning of the year, but they have been fading, and we are worried about the next year. The US economic situation is worrying," says Mr Shinshichi Abe, executive director of Japan's machine tool builders' association.

At home Japan has its share of declining industries, belying the image abroad of Japanese industry as a well-ordered monolith, the success of which is assured by judicious co-operation between government and industry associations oiling the wheels of commerce. There is a large degree of communication between and industry and government. This has not prevented severe problems in some sectors. Japan's pharmaceutical industry, for example, is suffering from deep cuts in the prices at which it can sell its products to the national health service.

Other industries are in more serious decline, such as steel chemicals and textiles. Very few of these industries are receiving special dispensation from government. The tale of shipbuilding and aluminium graphically illustrates that industries in Japan do indeed have the freedom either to drive themselves or be driven into the ground.

Over the years, Miti has sponsored restructuring in a number of industries (for example, in petrochemicals and oil refining), but with varying degrees of success. In the heavily overmanned distribution sector, rationalisation is well overdue. Japanese companies, not only foreigners, suffer from the high added costs of multi-tiered distribution networks in a host of product areas

A new element, however, has arrived recently on the scene. Market forces, in the shape of cash-rich companies are beginning to reshape the picture slowly. This has been accomplished by friendly takeovers in order to gain some new technology or perhaps rationalise a distribution network. Although statistics have yet to be pooled, the phenomenon is gathering steam.

Every major securities house and investment bank in Japan is now sporting a merger and acquisition department. Only five years ago, such a title could not be printed on a business card for fear of causing offence. Corporate takeovers have long been taboo in Japan, where employers undertake to provide jobs for their employees for life, and troubled companies have sought help from their main bank, rather than be taken over.

Indeed, the current industrial structure, as inefficient as some parts are, remains a highly efficient employer of people. Unemployment in Japan for adults is around 2.5 per cent. For young people, it is 4.8 per cent. Youth unemployment in the UK is around 20 per cent; in the US 13 per cent. The other side of the coin, of course, is that the average profit margin of a Japanese company is significantly lower than its Western counterpart.

At the same time, market forces coupled with international pressure to shift more production overseas may soon have an impact on Japan's unique social contract between industrial employer and employee, which traditionally has guaranteed a job for life to those working for the big corporations. At Brother Industries, the typewriter company, for example, an imminent shift from exports to local production to Europe—prompted by an anti-dumping case—is causing anxiety.

This anxiety is not so much over anticipated loss of jobs at home but possible job losses at its main suppliers. Brother fears that shifting production and thus component sourcing to Europe will mean a damaging lack of business for its local suppliers.

Like most large Japanese companies, Brother is dependent on smaller companies for a range of components right up to its most sophisticated parts.

Yet, although new circumstances have presented new challenges, Japan's industry leaders show no lack of confidence in the country's ability to adapt and indeed to remain a formidable international competitor.

"Japanese industry is restructuring itself constantly," says Masaya Miyoshi, senior executive with Japan's Keidanren, Japan's federation of leading businesses.

"This time it is the rapid appreciation of the yen and pressure from outside in terms of trade friction but the industry is changing on the strength of private initiative, rather than aid from the Government, and that will continue to be the pattern for the future."

The ability of big groups to redeploy workers from declining sectors to growing ones has been one of the strengths of Japanese industry. As change affecting older industries like steel and shipbuilding quickens, the opportunities may diminish

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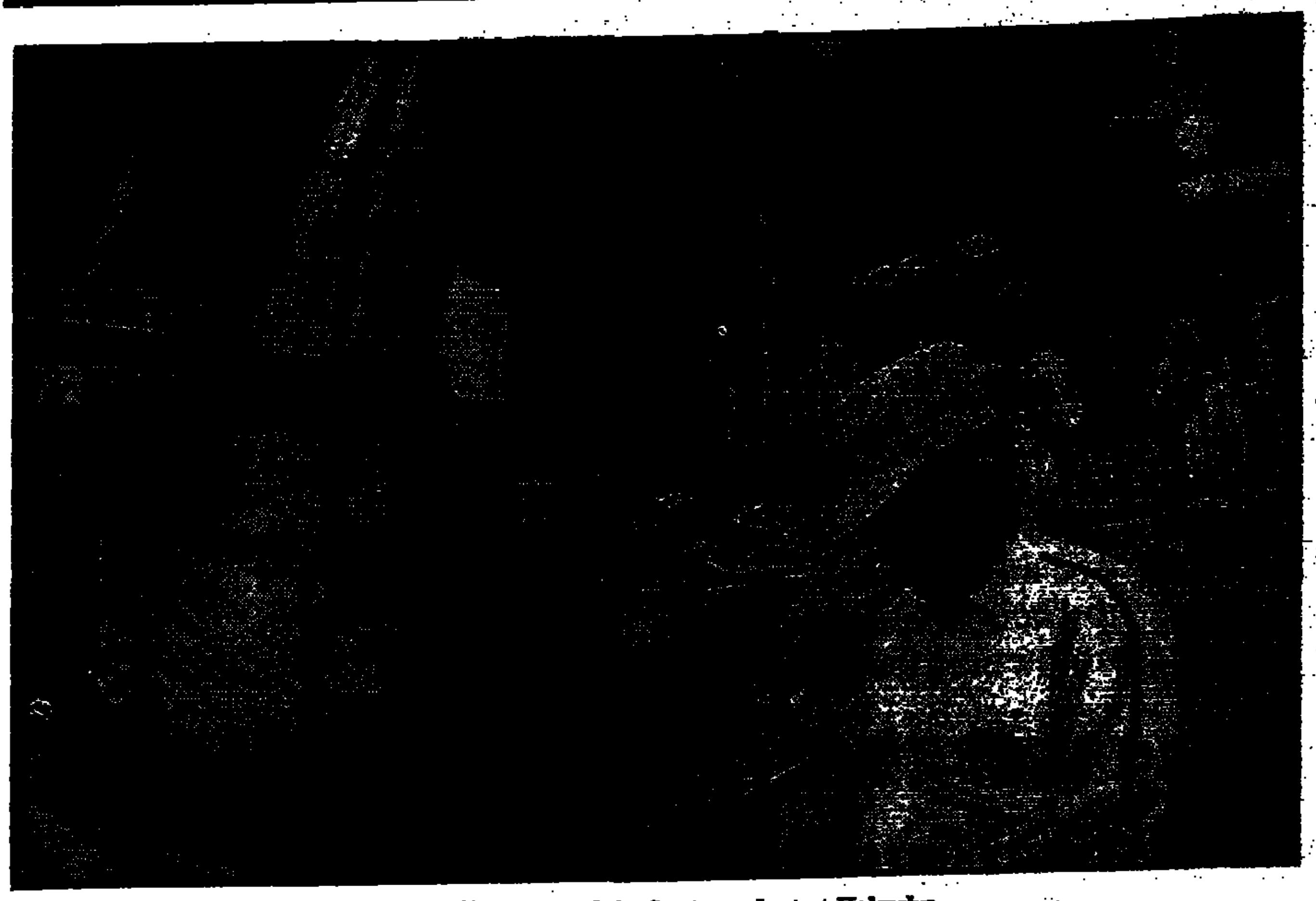
Photographs by Ashley Ashwood

Japanese Industry 2



The distilling room of the Suntory plant at Hakushu

Smoothing out difficult passages

Industry & Economy

JUREK MARTIN

THE Japanese Government has announced, with little fanfare, a package of measures designed to help smaller export-oriented companies whose order books had been adversely affected by the 20 per cent appreciation in the value of the yen in the last few months.

It was not an exceptional package—a safety net combination of US$500m-worth of low interest loans, some relaxation of credit controls, and a bit more muscle for the state banks which traditionally cater to small companies. It was, however, a demonstration of how Japanese industrial policy works, especially when the economic climate is less than optimal.

Japan has experienced two good economic years, with real growth of more than 5.5 per cent in 1984 and probably approaching 5 per cent this year. The odd spectacular bankruptcy aside, most of the economy's vital organs are functioning well, with consumer inflation of not much more than 2 per cent and unemployment of 2.5 to 2.7 per cent.

The consensus view, however, is that 1986 will not be so good unless fiscal policies are adjusted. Some forecasters say real expansion may be only a little more than 3 per cent and the export trade is bound to suffer from a higher yen. If the US and European economies also turn down, then the adverse effect of currency appreciation will be compounded.

There is no clear consensus as to what Japan should do to stimulate sluggish domestic demand and offset lower export growth. In October, the Government introduced a Y4,000bn (US$20bn) domestic demand programme. Mr Satoshi Sumita, Governor of the Bank of Japan, characterised this as the "selective expansion of fiscal outlays"—in other words, delicate fine tuning.

But the country, and much of the industrialised world, is waiting to see if the Government will take the fiscal bull by the horns with a tax package.

The politicians want a tax cut. The Ministry of Finance is concerned with a $60bn budget deficit and formidable refinancing obligations, and the advocates of tax redistribution, including new indirect levies, are lined up on all sides. The suspicion is that it will be months before a tax package emerges.

It is into this vacuum that industrial policy steps, not as a magic potion but as a smoother of difficult passages. It will be sectoral, discrete, and probably will not involve vast amounts of money. There will be no single master hand at the controls—not the MOF, not the Ministry of International Trade and Industry (Miti), nor the business establishment.

Japan enjoyed closely co-ordinated policymaking in its post-war reconstruction period and in its sprint for growth in the 1960s. But it was easier then to establish clear priorities in an emerging industrial economy.

Today, the economy is mature, its non-industrial sectors are becoming predominant and industrial policy's imperatives, with the exception of some old varieties such as the equitable, controlled distribution of energy supplies, have become much more diversified and indirect.

Mr Shinji Fukukawa, director-general of Miti's industrial policy bureau, has described the goals of industrial policy as to "maximise private entrepreneurship by making the best use of the market mechanism.

"However, the market in reality is imperfect, unlike the market depicted by economic theories. This means that some additional measures, in the form of guidance and incentives, are needed to minimise the uncertainties of the market and to make up for its imperfections."

Mr Fukukawa said industrial policy had five broad objectives; to assist technological breakthroughs, rather than merely develop production processes; to secure an equitable division of labour between Japan and its trading partners, mostly through market-opening measures; to facilitate economic rationalisation by accepting the logic of the post-industrial age; to maintain energy supply security; and to keep Japan as pollution-free as possible.

There are other elements which affect industrial policy. Most obvious is the denationalisation programme—telecommunications, tobacco and salt to date with railways and airlines on the drawing board. It is not privatisation on a British scale as the Government still owns all the shares in NTT and will remain the majority owner. But it has permitted the introduction of competition.

Nominal GDP by industry (Ybn)

	1970	1980	1983	1985*
Agriculture, forestry and fishing	4,463	8,875	9,099	9,250
Mining	621	1,345	1,164	1,214
Primary industry total	5,084	10,221	10,263	10,464
Foodstuffs	2,795	7,758	9,773	11,865
Textiles	1,426	2,970	3,217	2,434
Pulp and paper	700	1,888	2,254	2,514
Chemicals	2,222	5,019	6,390	7,494
Petrol and coal	1,240	2,385	3,327	3,585
Ceramics, earth and stone	1,110	2,802	3,150	3,421
Metals and metal products	4,548	12,241	10,614	11,018
General machines	2,818	6,668	8,109	9,466
Electric machines	2,837	8,658	11,820	15,008
Transport machinery	2,850	9,499	11,471	12,866
Precision instruments	437	1,456	1,691	1,925
Other manufacturing	3,347	10,346	12,017	13,733
Construction	5,662	21,181	21,674	23,674
Secondary industry total	3,2001	92,863	105,506	119,144
Electricity, gas and water supply	1,557	6,400	9,008	10,371
Wholesale and retail	10,504	21,261	33,519	35,918
Finance and insurance	3,432	12,596	15,369	18,462
Real estate	5,876	24,344	30,825	37,282
Transport and communications	5,022	16,071	19,082	21,564
Services	7,833	28,165	34,097	40,305
Governmen services producers	4,642	20,531	23,919	27,842
Other services	679	4,270	5,527	6,347
Imputed interest	−2,970	−11,100	−13,320	−15,384
Tertiary industry total	33,425	118,838	142,101	166,402
Total	72,852	235,822	373,696	312,434
Industry total	70,510	221,922	257,870	294,010

* Forecast. Source: Japanese Economic Research Centre

There are still plenty of rules to the new telecommunications game but they are different ones.

The government's rationalisation of aluminium and petrochemicals continue, but on a less dramatic or controversial scale. Miti is slowly succeeding in bringing order to domestic oil refining and distribution, turning 13 companies into seven by merger and pushing for further cuts in refining capacity.

Miti is even about to allow the import of some foreign gasoline, but whether it is allowed to amount to more than a trickle and upset Miti's delicate refinery allocation and pricing policies is doubtful.

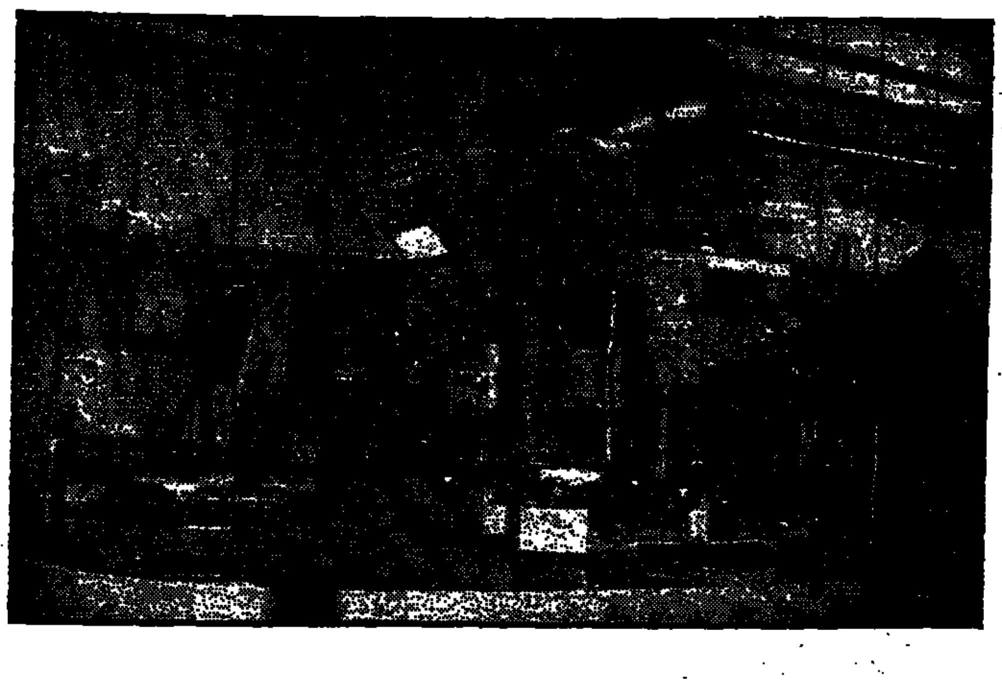
What matters most in the short term is tiding small companies over their difficulties, as in the recent package, and promoting technological innovation. The Miti-inspired fifth generation computer project has attracted much attention, not all favourable, but it is the discreet promotion of research into new materials, biotechnology, fine ceramics and the like which probably counts for more.

Although total Japanese research and development outlays are similar to those in the West, the Government shoulders only about half the Western load. Mr Fukukawa and others maintain this has skewed Japanese R & D away from pure research in the direction of commercially applicable product development.

Miti's fledgling Centre for Research Facilitation in Fundamental Technologies is designed partly to rectify this. In supplying risk capital and collecting and re-channelling research data, it will operate as the government's judge and jury over what the private sector should be getting into.

This is a demonstration of the indirect control that marks industrial policy. A word in the right quarter, a touch of "administrative guidance" here and there can, in the Japanese manner, make for a more effective industrial policy than vast capital outlays or cut-and-dried economic plannings. It is designed, as Mr Fukukawa notes, to make markets work better.

Japanese Industry 3



Teruyuki Yamazaki (above) and a machining centre (left) made by his company being used at Dowdeswell Engineering in the UK

Dominant and profitable position

Machine Tools

IAN RODGER

TRADE FRICTION may be in the air, a new recession in the world's manufacturing industries may be on the way, but it is high summer in the Japanese machine tool industry. Unprecedented prosperity oozes from every showplace head office, from every fresh batch of statistics, from every company financial statement.

This year the Japanese industry will see record sales of more than Y1,000bn ($4.8bn), making it at least 50 per cent larger than the next largest producing country, West Germany. Ten years ago, Japanese output was worth only Y230bn, outranked not only by West Germany, but also the US and Soviet Union.

Today Yamazaki, Japan's largest machine-tool builder, and the rest of the companies in the sector dominate their home market, the US and have strong positions elsewhere. Like the Japanese makers of cameras and motorcycles, they are now competing largely against each other in the US, having swept aside local competition.

In Nagoya, where much of the industry is concentrated, they joke about a fresh outbreak of the battle of Mount Komaki, a reference to the pre-Shogun era battle near the city between two tribal chiefs, Toyotomi and Tokugawa.

The Japanese find their success hard to believe and are willing to acknowledge that a fair bit of luck has been involved. It was partly because the industry was weak in the post-war period, and therefore unencumbered by loyalty to traditional technology, that it was ultimately able to succeed.

While US and European machine-tool builders pondered the value of numerical control (NC) technology in the 1970s, the Japanese embraced it with enthusiasm, seeing it as a way to convert many types of machine tools from bespoke to standard products.

Today two-thirds of Japanese machine tools made are numerically controlled. That, together with the Japanese passion for product quality and reliability, gave them a significant edge over Western competitors.

By the time the US and European builders realised what was happening it was too late for many to catch up. The shake-out in the US has been particularly severe, as the Japanese assault coincided with a strong dollar, which made it difficult for US builders to be price competitive.

Japanese exports to the US have risen from Y120.6bn in 1980 to Y148bn last year. Japanese producers now account for nearly half of sales of NC lathes and machinery centres by value and 22 per cent of total machine-tool sales in the US.

Western European machine-tool builders have been more successful at responding to the Japanese challenge, and have been helped in some cases by government protectionist measures. Japanese exports to Europe have declined from a peak of Y70.1bn in 1980 to Y56bn last year.

Japanese machine - tool builders recognise that while conditions may be very favourable, there are some dark clouds on the horizon.

● The rising value of the yen is forcing them to raise prices in most export markets. Most companies want the increases to offset the decline in the value of the dollar in recent months (about 15 per cent against the dollar). But the export leaders, Yamazaki and Amada, are being coy. Mr Teruyuki Yamazaki, chairman, says he hopes to raise US prices by 14 per cent but plans to leave European prices untouched. Amada is leaving the decision to its US subsidiary.

● Orders are sagging as the economies of many countries weaken. "Orders were very strong at the beginning of the year but are fading, and people are worried about next year," says Mr Shinshichi Abe, executive director of the Japan Machine Tool Builders Association (JMTBA).

● Protectionist sentiment, particularly in the US, threatens to limit exports by Japanese builders. "We will be in a disastrous situation if some of these trade Bills pass Congress," Mr Abe says. "Our exports could be cut in half."

It seems doubtful that this will happen. The US would have difficulty meeting its machine tool requirements without the Japanese, and there is no case to make against the Japanese in this sector.

They cannot be accused of dumping, or subsidies, or even of being forced onto export markets by a slump in domestic demand. On the contrary, their new domestic orders have increased slightly more than export orders over five years.

In Japan the excitement in the machine tool industry is over advanced factory automation systems. The Japanese appear to be having the same difficulties as Western competitors trying to develop and sell these systems, but they have been adventurous in installing prototype demonstration systems in their factories.

These experiments appear to show that flexible manufacturing systems are not yet cost effective in most applications.

"The price of FMS has to come down," Mr Yamazaki says. "People cannot afford it.

"Also, when you look at the level of the technology, it is clear that we are still in the development stage. But it will get better."

Mr Kinroku Degawa, president of Hitachi Seiki, another leading machine tool builder, agrees. The company has built about 30 FMSs, but still finds them very difficult.

"We know the goal, but we do not know the way to get there," he says, "and there are few customers that use them well."

PROFILE: YAMAZAKI

Overseas output to rise

FORMED IN 1919 by Mr Sadakichi Yamazaki to make straw-mat weaving machinery, Yamazaki Machinery Works began making machine tools in 1928. Its main expansion dates from the 1960s when it built a large plant in the Oguchi suburb of Nagoya and opened sales offices in the US and West Germany.

In the 1970s, the company, which is still family owned, developed its own numerical controls in co-operation with Mitsubishi Electric for machining centres and lathes. It also became the first Japanese machine tool builder to start manufacturing in the US, opening a plant near Cincinnati.

Yamazaki does not publish its financial results but Mr Teruyuki Yamazaki, president, says that on the basis of the published reports of other Japanese producers, his company is the largest machine-tool builder in the country.

Outside estimates put Yamazaki's annual revenues at about Y120bn ($585m), which would make it the largest machine-tool company in the world, slightly bigger than Cross & Trecker of the US. It is also a successful company. Mr Yamazaki says it will have record sales and profits this year.

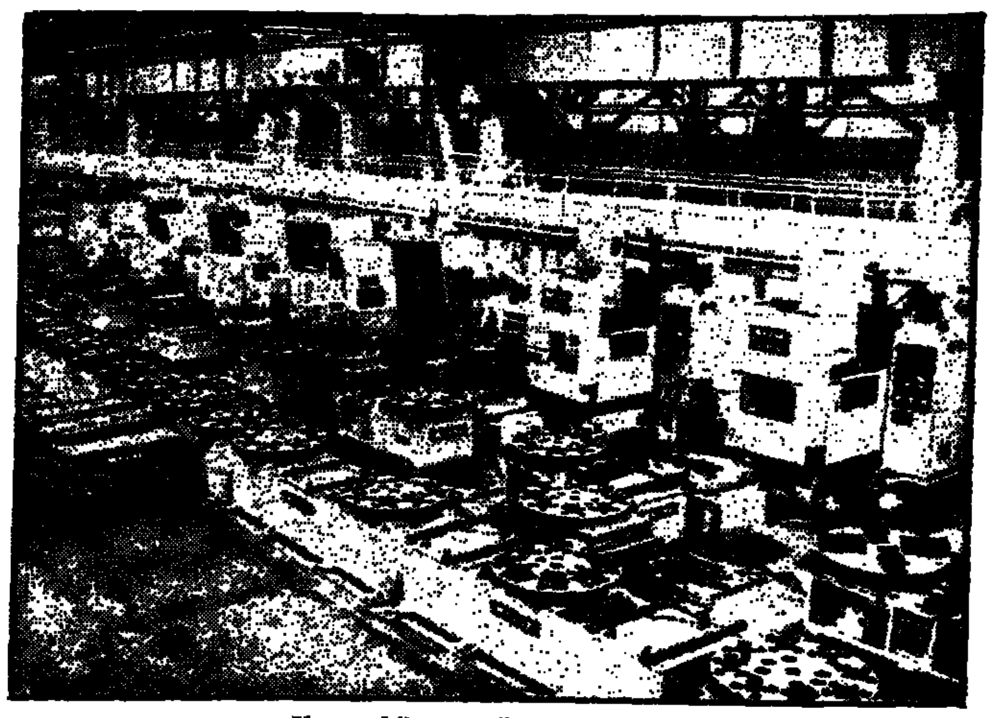
The company has a broad product line but most of the 200 or so machines it manufactures every month are popular, middle-of-the-range NC machining centres and lathes. Yamazaki has always been an enthusiast for new technology and in the forefront of developments in flexible manufacturing systems (FMS).

Its big Minokamo plant near Nagoya has four large FMS installations, plus an automated guided vehicle system

Mr Yamazaki acknowledges that most FMS installations today are not very efficient, but he is confident that the technology will improve, and the pioneers will be the main beneficiaries.

Yamazaki is also a leader in terms of overseas operations. It has a substantial factory in the US, producing about 10 per cent of total output and is building another in the UK. Mr Yamazaki says that in five years, 40 per cent of the group's products will be made outside Japan.

I. R.



Yamazaki's new Minokamo factory

PROFILE: AMADA

By IAN RODGER

Marketing holds the key

ALTHOUGH AMADA makes machine tools, it is above all a skilful seller, with a remarkable marketing technique.

At the company's huge estate in the scenic Hakone district near Mount Fuji, the machine-tool plaza looks like an idyllic academic retreat, with daringly modern buildings, manicured gardens and aura of calm.

Prospective customers are greeted by uniformed hostesses, offered a tour of the art gallery, a game of golf on the company's course and opportunities to buy designer clothing and golf equipment at knockdown prices in the company's boutique.

An organist plays in a tastefully decorated open-plan restaurant.

Then comes the tour of the machine-tool plaza, an exhibition hall where hundreds of types of machine tools are going through their paces. Most are made by Amada subsidiaries, but the company also sells other machines.

"The golf course is popular," says Mr Yoshio Kamijo, director of overseas operations. "But most popular are the machine tools themselves."

Amada claims that this sort of spectacle is cheaper than using dealers and other promotion. Also, it enables them to keep in closer touch with customers, and put more resources into service. Amada prides itself on a 24-hour service, which can involve getting engineers out of bed to solve problems.

The company is so committed to the formula that it repeated it in the US on a smaller scale in 1981 and it is about to open a mchine-tool plaza in the UK.

Its focus as a seller also affects its attitudes toward trade friction. Amada already manufactures in the US and expects to expand production both there and in Europe.

But if barriers to Japanese exports become substantial, it would not appoint licensees to preserve markets. Rather, it would have machines made locally by others. "The important thing for us is to keep the right to sell," Mr Kamijo says.

Presses, shearing machines, bandsaws and bandsaw blades account for about 70 per cent of Amada's annual sales of Y119bn. The rest is made up of metal cutting and forming equipment. Most machines are made by Sonoike and Washino, in which the company has 20 and 25 per cent stakes respectively.

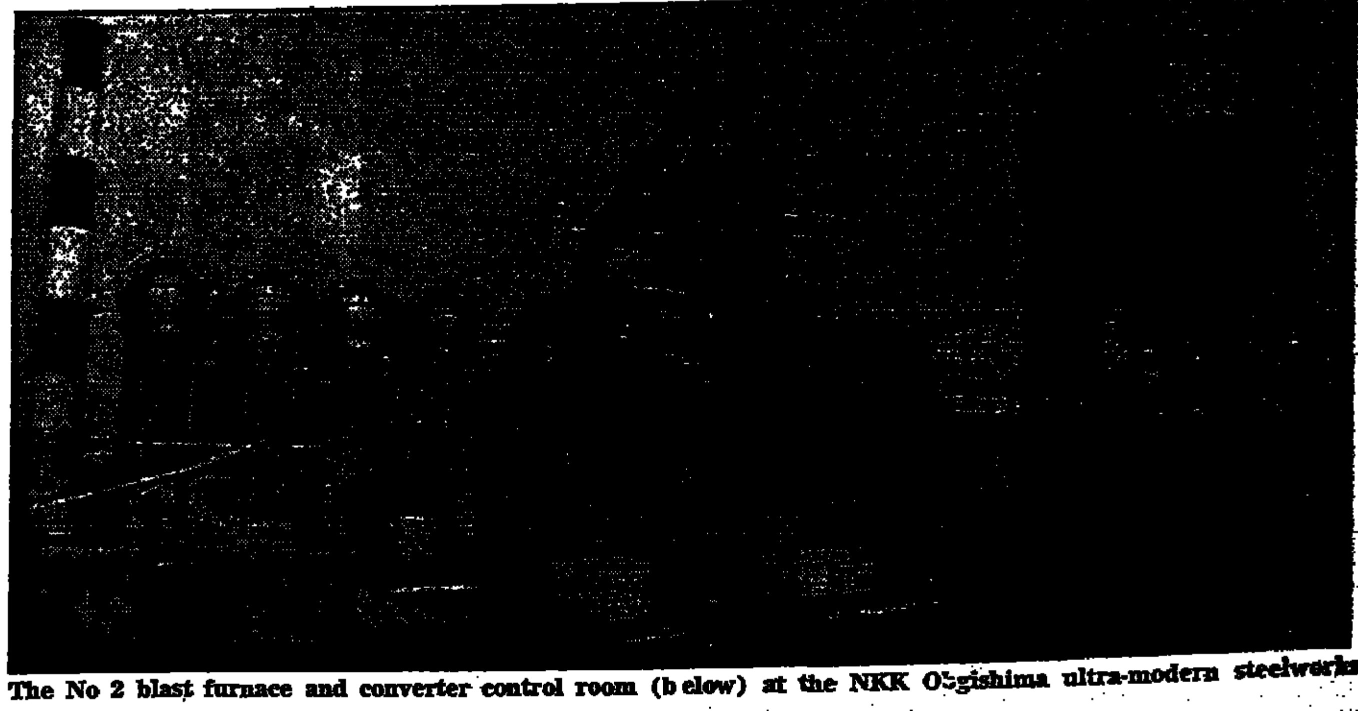
Amada has marketing arrangements with manufacturers including Okuma Machinery Works of Japan for lathes; DEA of Italy for co-ordinate measuring machines; and Brown and Sharpe of the US for grinding machines.

In an unusual move for a Japanese company, Amada has acquired 40 per cent of Prima Industry, an Italian venture capital company specialising in laser and measuring technologies.

"We were interested in their high technology," Mr Kamijo says. "We can improve the company with our products and sales force."

These trends to source machines and technologies outside the group will continue. Amada believes that it should concentrate its own R&D on sheet-metal processing, the area it knows best and where it claims to be the world leader.

Japanese Industry 4



The No 2 blast furnace and converter control room (below) at the NKK Ogishima ultra-modern steelworks

Problems force diversification

Steel

IAN RODGER

THE LONG period of growth which has made Japan into the world's largest and most successful steel producer, is now at an end. The future for Japanese steelmakers, as for their competitors in Western Europe and other industrialised countries, looks like being filled mainly with the problems of overcapacity and excessive competition.

These problems are becoming harder to deal with because of the increasing role of production technology in the competitiveness of steel industries. Profits may be hard to come by, but companies have no choice but to continue to invest heavily in upgrading equipment.

The response of the leading Japanese steel companies to this change has been unanimous: they are all diversifying into new businesses at a great rate. They are also investing heavily in technologies for improving the quality of steels, but they recognise there is a limit to the potential return. This is not least because of the difficulty of raising prices; the main steelmakers have not raised domestic list prices since 1982.

"We cannot expect too much profit from steel," says Mr Yushinari Yamashiro, president of Nippon Kokan KK, the country's second largest producer. "To expect the same profits in the future would be wishful thinking."

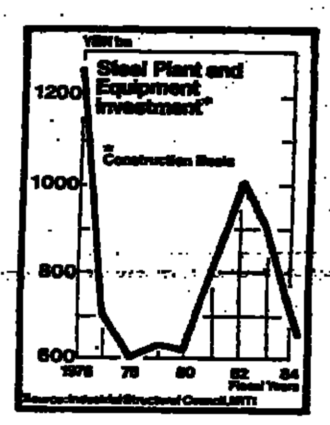
The companies are also having to contemplate significant reductions in capacity. The official capacity of the Japanese steel industry is 140m tonnes a year, whereas production this year is likely to be about 103m tonnes or less. And no-one sees any likelihood of a significant increase in the foreseeable future.

Domestic consumption is expected to be about 74.4m tonnes this year, sliding to 71.3m tonnes next year because of a weaker outlook for many steel consuming industries, especially shipbuilding.

The export outlook is not promising, particularly since Japan agreed with the US this year to limit supply to 5.8 per cent of that market. The US market is forecast to fall about 6 per cent next year, so Japan's sales there will fall too. The Ministry of International Trade and Industry has set an export quota to the US of 4.6m tonnes.

The US market has been difficult this year because of an unexpected slump in prices in spite of the curb on imports. Japanese shipments to the US reached only 3.9m tonnes in the first nine months of the year, compared with 6.4m tonnes in the whole of 1984.

Japanese producers cited this decline, and the weak selling prices, as a main factor in lower



profits in the first half of the 1984-85 fiscal year. Nippon Steel's pre-tax profit, was down 30 per cent in the six months to October 31 to Y33.7bn, while those of Kawasaki Steel were off 13 per cent.

Nippon Kokan and Kobe Steel had marginal profit increases mainly because of the performance of non-steel activities.

China has emerged as a big customer for Japanese steel in recent years, but the outlook there is not promising. Last year, shipments reached 8.4m tonnes and were 8.2m tonnes in the first nine months of this year, but because of overcrowding in Chinese ports, sales are slowing and are expected to be lower next year.

As for imports, Japan is becoming an increasingly penetrated market. In 1975 only 22,000 tonnes of ordinary steel were imported but by last year the total had risen to 3.7m tonnes, mainly from Taiwan, Brazil and South Korea. This year imports have been lower, with only 1.7m tonnes coming in during the first nine months

Steel industry officials attribute this in part to what one called "the wall of quality"—the demand for increasingly higher quality steel. However, there is considerable concern that the wall will not be able to withstand the pressure of the rising value of the yen on the price of imported steel.

Given this unpromising outlook, further big plant closures seem inevitable. Only 37 of the 57 blast furnaces in the country are operating, and few of those idle are likely ever to return to production.

One mini-steel works, the Senju plant of Tokyo Steel, has closed this year and others are under threat. Nippon Steel, the country's largest producer, has closed large section mills at its Hirohata and Muroran works and its hot-strip mill at the Sakai works as part of what it calls its third rationalisation programme. Others are expected to follow.

With all this gloom, it is not surprising that producers are looking to diversification.

"The future is in electronics," Mr Yamashiro of NKK, says. NKK set up a materials division last January aimed at producing, among other things, silicon wafers for the semiconductor industry.

It is also interested in getting into businesses involved in machinery, community development, health, sports, food and aerospace. And it has paid more than $45m for a 40 per cent stake in a titanium and aluminium alloy aerospace components business in the US controlled by Martin Marietta.

Sumitomo Metal Industries, another large producer, started full-scale production of titanium alloy for aircraft engines in the summer of 1984 following a technology transfer agreement with IMI of the UK. The company aims to be earning 30 per cent of revenue from non-steel businesses by the mid-1990s.

Nippon Steel formed NSC Electron Corporation in June 1985 to make silicon wafers and is building a factory near its Hikari special steel works.

The company said it was also planning to produce carbon fibre from pitch extracted from coking coal.

Kawasaki Steel bought NBK, a US maker of silicon wafers, in August. It has also launched a fabrication venture for custom chips with LSI Logic of the US, called Nihon Semiconductor.

The attraction of new materials, in particular silicon, is that the steel companies already have experience with them. Silicon is a common ferro-alloy used in iron and steel-making.

The Japanese steelmakers say they are still strongly committed to steel in spite of the difficult outlook. They are investing in new equipment and determined to maintain their market strength through developing better-performing, high-technology steels.

They have also shown in the past year that they are unwilling to pass on technology to threatening foreign competitors. Last year Nippon Steel refused to offer its best blast furnace technology in bidding for an order from Pohang Iron and Steel in Korea. (Davy of the UK eventually won the order).

NSC said this sort of technology was vital for competitiveness and the company would not pass it on lightly, especially if the buyer were seeking concessionary terms.

"We would always discuss such a move on a commercial basis, but that does not mean we would do it," it said.

High-tech road to a change of image

Motor Industry

KEN GOODING

THE MAIN Japanese vehicle producers are tumbling headlong to set up factories outside Japan. In future they will no longer be able to rely heavily on the cost advantage given by production in Japan and the weakness of the yen to gain sales in the US and Western Europe, *the world's main markets.*

At the same time they are making a thrust into the luxury and high-performance car markets, where they have had relatively little success but which *offer opportunities* for large profit *margins.*

All this means the Japanese car producers will be attempting to attract a different type of buyer, one interested not only in value-for-money but also in image.

This is difficult territory. The inexpensive model at the bottom of the range detracts from the attractiveness of the luxury model at the top for the seeker after image.

And in this search for excellence, the Japanese industry is willing to try an enormous range of new technology, even if a great deal of it will eventually be tossed aside.

This was apparent at the Tokyo Motor Show. Mr Dan Werbin, Volvo cars sales and marketing director, hit the nail on the head when he said: "The Japanese companies are all trying to outdo one another *in technology.*

"But they are not paying enough attention to developing clearly *defined images.*"

The Japanese industry is now sparking off technologly in all directions, he said. "But it is frequently missing the target."

Nissan's Cue-X "concept" car, was the one which attracted most favourable attention from visiting Europeans and Americans.

It put together four-wheel-drive steering and air suspension (all electronically controlled) as well as anti-skid braking, run-flat safety tyres and a laser radar system to measure the distance to obstacles or vehicles.

Nissan says it intends to put a car similar to Cue-X on the *market, but not until the early* 1990s. Acording to Mr Tomokuza Tokuda, one of the company's general managers in charge of research, much Cue-X technology is available on production cars or will be shortly.

The scope of new technology being investigated by the Japanese companies is breath-*taking, and the same must be* said about the money spent on research and development. Both Toyota and Nissan, Japan's second largest group, are investing at the rate of 4 per cent of sales annually in r & d.

For Toyota that amounted last year to Y242.6bn ($1.2bn) and for Nissan Y140bn.

Some other Japanese companies are having to boost r & d expenditure to keep up. Mazda will lift its spending from Y85bn this year (5.4 per cent of expected sales) to Y105bn (6 per cent) for the next few years, according to Mr Kenichi Yamamoto, the president.

A great deal of the Japanese companies' r & d expenditure goes to replace existing ranges. They are fighting on several fronts.

Toyota and Nissan each has several dealer networks in Japan to satisfy. Each network *is* demanding cars different from those sold by others.

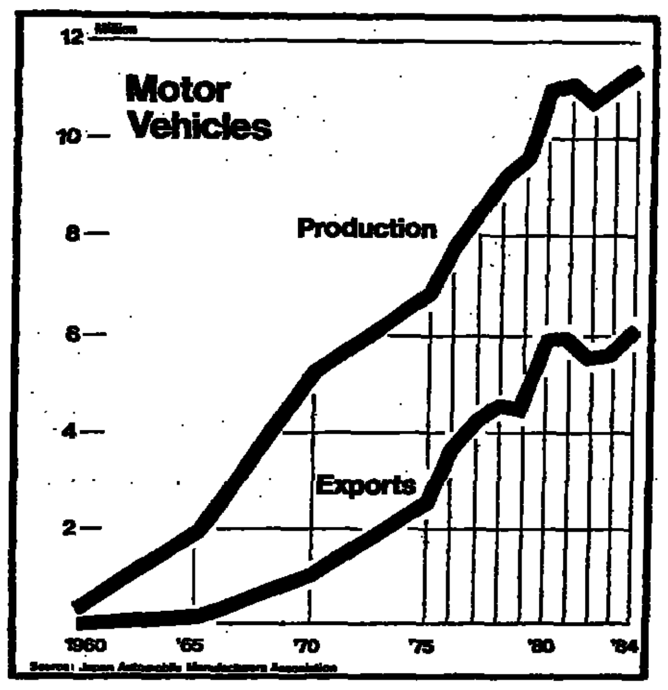
This multi-franchise appproach is the only way the two companies could hope to keep their firm grip on the domestic market, where Toyota has about 40 per cent of new car sales and Nissan more than 25 per cent.

The Japanese also have to produce cars to suit the different requirements of the West.

At the Tokyo Show there were several cars, such as the Nissan Cue-X the Mazda RX-7 *sports* car and Honda's Legend, more suited to Western markets than Japan, where the large tax penalty means only the very rich could afford them.

Nissan's Mr Tokuda said that in the Cue-X, his company wanted a luxury car with a roomy interior and the right size for the international markets.

The market the Japanese are most concerned about is the US. In the first half of 1985 they *sold more than 1m cars there.* It will take the full year to reach that total in Western Europe.



The Nissan line at Murayama. The company used US profits to win back its domestic market share

But the phenomenal export performance of the Japanese industry cannot be expected to continue.

In 1965 just over 100,000 cars were exported from Japan; by 1975 this was 1.8m and this year will top 4m. Production in those years went from 696,000 to 4.56m to well over 7m respectively.

This rapid penetration of western markets which already had substantial domestic car industries raised protection hackles.

In the first half of the 1980s, deep recession in the North American motor industry meant domestic producers suffered severe losses and reacted by drastically cutting costs and laying off people. The US authorities leaned on the Japanese Government, which reluctantly agreed to a voluntary restraint agreement.

Ironically, that agreement strengthened the Japanese industry by forcing the manufacturers to sell higher-value cars at a time when the dollar was strong.

American profits helped subsidise Nissan's determined *efforts* to win back lost market share in Japan during the past two or three years.

And it is believed that in the early 1980s only Toyota was able to trade profitably in the Japanese car market as other companies used US profits to offset losses in Japan and Europe.

However, the Japanese took the hint given by the US Government and decided to set up assembly plants there.

Honda led the way with production in Marysville, Ohio, in 1983 and Nissan followed a year later with a car line in its factory in Smyrna, Tennessee.

Toyota started a joint project with General Motors, reopening a GM plant at Fremont, California. This was to produce cars based on the Toyota Corolla and using mainly imported components.

Toyota has now decided to expand output to make Corollas for its own US dealer. It is also looking for sites to produce 200,000 cars a year in the US and 50,000 a year in Canada.

Mazda will have the capacity to build 250,000 cars a year from 1987 at Flat Rock, Michigan.

Mitsubishi will set up a joint project plant for about 180,000 cars a year with Chrystel.

The upshot is that by 1990 the Japanese will have the capacity to produce 1.5m cars a year in North America. That has frightened the US industry and is causing a different style *of* protectionism to rear its head. Critics predict that the *US industry is heading for over*-capacity, collapsing prices and financial difficulties.

They also suggest the cars the Japanese will produce in the US will be only 50 per cent American in terms of components. That could have a devastating impact on the US components sector. So there are *strong demands for legislation* to ensure that the Japanese groups use a minimum level of US components.

The Japanese will tackle car assembly in Western Europe only after the US plants are up and running. But already they face similar calls for local content requirements.

In the face of this growing protectionism, the Japanese are hoping to continue the move up-market to attract more revenue, even if volume is constrained.

They are also attacking Western commercial vehicle markets more aggressively with exports, not only with light vehicles, such as the pick-ups which in the US are substitutes for passenger cars, but increasingly with heavier trucks.

PROFILE: KEIDANREN BY CARLA RAPOPORT

Businessmen wield off-duty power

JAPANESE businessmen who have made it to the top of the *heap do not usually buy large* country estates, dress in Saville Row suits or purchase *expensive yachts. Instead the* top executives are likely to indulge in another golf club membership, a bit more foreign travel and the best food and drink money can buy.

They also devote an unusual amount of time to business community activities, ranging from sports and arts sponsorships to organisations like the powerful Keidanren.

The Keidanren literally translates to the Federation of Economic Organisations. However, it should not be confused with the Confederation of British Industries or the American Chamber of Commerce. The Keidanren is a powerful mover and a force everyone dealing with Japan should understand.

"Japan is a country of contradictions. One of the most important is that it enjoys both a strong government and a *strong private sector," says* Mr Masaya Miyoshi, a senior managing director of Keidanren.

The Keidanren, he *explains* is one of four main business organisations in Japan. The *other three are Nissho (Cham*ber of Commerce and Industry); Nikkeiren (Federation of Employers' Association); and Kezai Doyukai (Committee for Economic Development).

The leaders form a clique known as Zaikai—literally "financial group" but more broadly "statesmen of the business world." More than *half* are from the Keidanren.

"Elder statesmen who made up *Zaikai* have no counterpart in other countries because of the extraordinary amount of time they devote to public leadership not related to their companies," Mr Miyoshi says.

For example, Mr Inayama, Keidanren chairman, and non-executive chairman of Nippon Steel, devotes 80 to 90 per cent of his time to Keidanren business. The 19 vice chairmen, all chairmen or chief executives *of* Japan's largest companies, *spend* one to two working days each week on Keidanren business.

Committee chairmen, also top executives, devote 20 to 30 per cent of their time to the group.

Some 90 per cent of mem*bers are salaried, close to 70* per cent belonged to labour unions before joining manage*ment,* and 20 per cent have been leaders of a union.

"The vast majority are from ordinary families, have a modest lifestyle and salary, are hardworking and acutely aware of their public respon*sibilities," says Mr Miyoshi.*

He exhibits an enthusiasm which would be hard to find in an industry association anywhere else in the world. There is nothing defensive about his manner; he did not act *as if he was speaking for* a special interest group.

"We have a true people's capitalism in operation here. Even though we are representing big business, we are also representing millions of salary earners. *That is one* main reason why the Keidanren is exercising such influence," Mr Miyoshi says.

> The Keidauren is a powerful mover and a force everyone dealing with Japan should understand

The Keidanren has pushed *through important* administrative reforms within the government bureaucracy. "The fight is still going on, we are only half way there," he says. Targets are reform of the tax system, review of *anti-monopoly laws to* clear the way for industrial restructuring, and deregulation in areas affecting business.

Another important area is external relations. The Keidanren takes credit for *about 70 per cent of cases of* liberalisation on tariffs, inspection procedures and the like included in the Government's recent programme to boost imports. Many came through the Keidanren's *International Enterprise* group, which includes representatives from ICI, Shell, Siemens, IBM, Olivetti, Coca-Cola and Hoechst.

An important link for the Keidanren is its strong *affiliation* with the ruling LDP party. It raise Y10bn a year for the LDP.

Mr Miyoshi says Zaikai will continue to be influential because of its close communication with government.

Struggle to loosen purse strings

PERHAPS THE most surprising discovery for a visitor to Japan is the poverty of its infrastructure compared with the rest of the developed world.

Visit the powerful Ministry of Finance and see rows of cramped offices where cardboard boxes brimming with files are stacked to the ceiling. Take a one-hour drive to the shore and end up in a four-hour traffic jam coming back. Travel on Tokyo's Yamamote Line in the rush hour and risk physical damage.

Only one in three homes in Japan is connected to a municipal sewerage system. The average Tokyo commuter spends 2½ hours travelling to and from work each day, most of that time standing. Fewer than 40 per cent of homes have installed heating.

Advocates for loosening the purse strings on public spending have been growing within Japan, supported by ranking officials at the Ministry for International Trade and Industry. Backing also comes from Japan's leading construction and civil engineering groups.

"Japan is a rich country on paper, but not in standard of living," says Mr Matoo Otsuka, a senior Managing Director of Kumagai Gumi, one of Japan's largest general contractors, with sales this year expected to exceed US$3bn.

If the Government approves higher public spending next year, the benefits for Japan's construction companies would be obvious. The industry, which accounts for about 10 per cent of Japan's GNP, has been grappling with growth below general inflation for years. Approximately one-third of its business is government-related.

Industry leaders are not holding their breath in anticipation of a big shift in government policy. There has been no real increase in infrastructure spending since 1977. Instead, they are seeking to harness the vitality of the private sector.

In the ultra-modern Tokyo headquarters of Kajima, another leader in the construction industry, Mr Rokuro Ishikawa, the chairman, says: "Japan's (budget) deficit is greater in percentage terms than the US. However, Japan is still short of infrastructure.

"In the private sector, we have an oversupply of funds. Last year we had a net outflow of $50bn. So the private sector is obviously looking for opportunities to invest. If private sector efficiency and money can be put into a project (which has government approval) we can kill three birds with one stone."

Mr Ishikawa says government money is not necessary to start this process, only government support in cutting red tape and boosting fiscal incentives, such as tax-breaks, for private investment.

Restrictions on building should be removed or liberalised, he says. Only the Government has the right to condemn old buildings, for instance.

Mr Otsuka says the Tokyo Bay Bridge project could be built with private money. "It is not necessary to have government funds, all we need is a minor change of rules and regulations."

Construction

CARLA RAPOPORT

The Tokyo Bay project, under discussion for nearly seven years is the flagship among 50 big infrastructure projects under discussion by the Government. A bridge would bring acres of under-used land within easy commuting distance of Tokyo, relieving the pressure on office and housing land.

Mr Otsuka points to Japan National Railways, a chronic money-loser. "There must be another way of design and management which could be profitable," he says. Extending the bullet train service would be economically feasible if handled by private companies.

Kumagai Gumi is not optimistic about changing bureaucratic attitudes overnight. In the meantime, the group is concentrating on expanding its growing overseas contracting business, which accounts for 42 per cent of its revenue. "Our target is to reach 60 per cent," says Mr Otsuka.

The main push will be in Australia, the US and Europe, where the company is more profitable. In the Far East, business is not profitable in many cases because of the competition among Japanese groups, he says.

Another company looking overseas for growth is Shimizu Construction, a leader in energy-related projects. It makes up about 8 per cent of the Y923bn group sales, and Shimizu ultimately aims to raise this to 30 per cent of revenue.

Kajima, with only 7 per cent of sales overseas, is slightly less pessimistic about the chances for government-funded projects. It points to increased spending on electrical and nuclear power plants as areas for concentration. However, Kajima is zeroing in on what it calls the "sophistication of industrial structure."

According to Mr Ishikawa: "To survive we have to depend on the high-tech industries." Kajima sees big opportunities in integrated circuit fabrication facilities and other electronics industries.

Kajima is also setting up subsidiaries in new areas, such as leasing, health care for the elderly, sports, interior designing, and publishing and film-making.

In spite of diversification, overseas growth and efforts to stimulate the private sector, the most serious impediment to the industry's long-term health remains its structure. According to Mr Ishikawa, who is also head of Japan's Federation of Construction Contractors, 99.9 per cent of the country's 520,000 contractors are very small companies with capitalisation of less than $500,000.

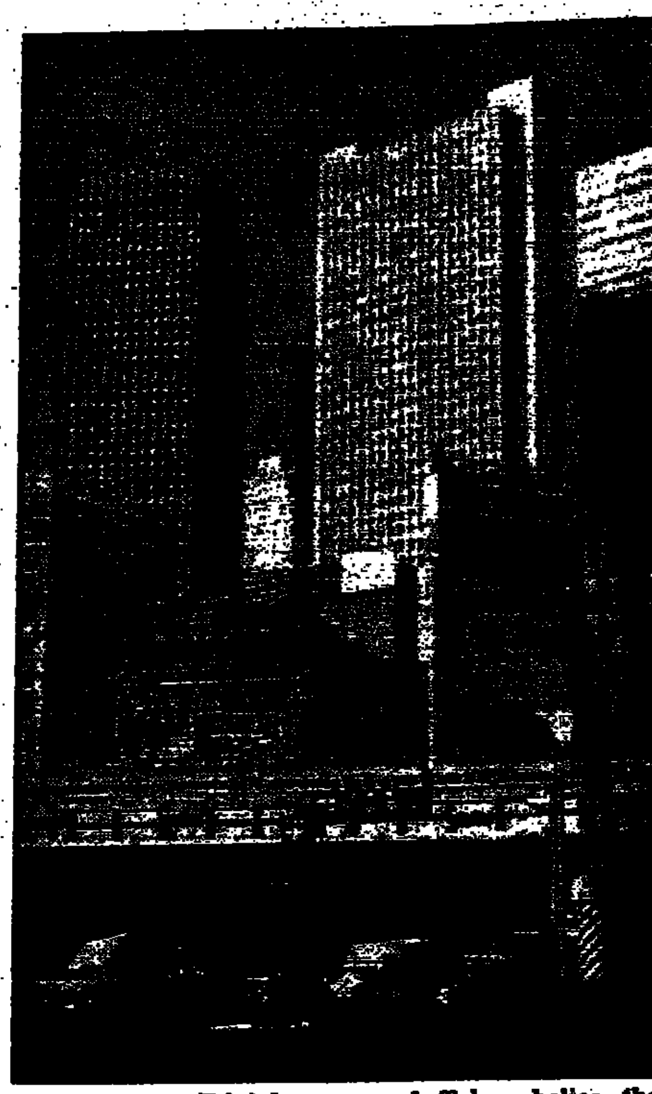
The main contractors cater to Japan's private sector, backed by a high level of expertise and research spending. The smaller companies remain dependent on public works. Mr Ishikawa says Japan maintains a basic social policy toward small contractors known as the floor, or convoy, theory.

"That means we have to adjust our speed to the slowest ship," he says. This means that efficiency made possible by the size of the large companies is sometimes sacrificed because small, less efficient companies must also be given government contracts.

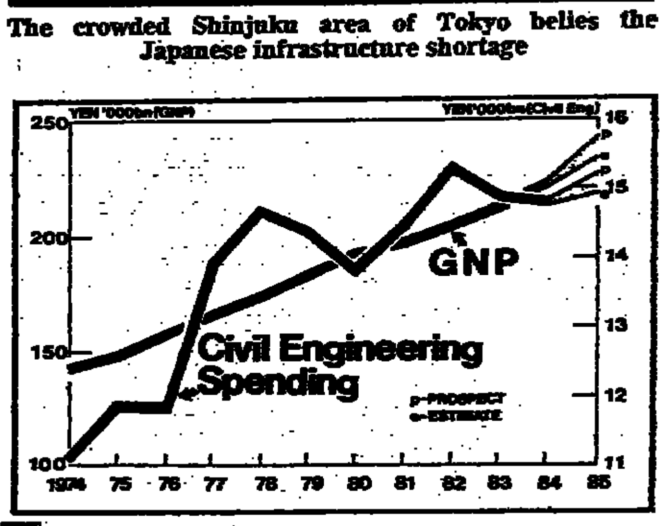
Even so, the bankruptcy level among contractors is high, accounting for about 30 per cent of all companies.

"But more are forming each day. Now we are talking with (the Government) on how to speed up the convoy, perhaps through mergers and acquisitions," Mr Ishikawa says.

"Unless we can get the convoy to speed up, we cannot be competitive in the worldwide market."



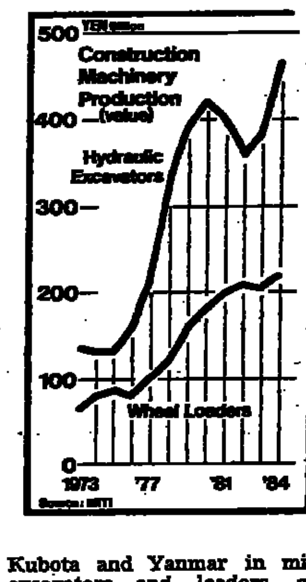
The crowded Shinjuku area of Tokyo belies the Japanese infrastructure shortage



Export sales drive to overcome slump

Construction Equipment

IAN RODGER



THE construction machinery sector provides an excellent case study of a Japanese industry forced to seek export sales because of a slump in the domestic market.

In principle the Japanese market for construction machinery should be enormous. Most of the country is mountainous, so that every road or rail project is a big civil engineering undertaking. The country's infrastructure also remains very underdeveloped.

But Japan's spending on infrastructure has stalled in the past decade and, apart from the long-suffering public, the construction machinery industry has been the main victim.

Spending on civil engineering projects has probably declined by about two-thirds in real terms. For example, the country has 7,600 km of motorways planned, of which 3,721 km are open. But only 372 km are under construction.

The effect on the industry has been dramatic. Demand for excavators has tumbled from more than 40,000 units in 1979 to about 27,000. Bulldozer sales have slumped from 18,000 to 10,000 over the same period.

Komatsu, the industry leader with domestic sales of about Y200bn, has had to work hard to maintain its position. Last year, it increased domestic sales 12.4 per cent in spite of a weak market in most products, mainly by introducing new lower-priced models of excavators and wheeled loaders.

Komatsu has an estimated 65 per cent share of the domestic market for bulldozers, 70 per cent of the off-highway dump-truck market, 85 per cent of the scraper market, 35 per cent of the hydraulic excavator market, 35 per cent of the wheeled-loader market and smaller shares of products such as rough terrain cranes and vibratory rollers.

The other major construction machinery makers are Caterpillar Mitsubishi—mainly bulldozers—and Hitachi Construction Machinery in excavators and wheeled loaders. But there are also many world-competitive producers of specialised machinery, such as Kato and Tadano in mobile cranes, Kubota and Yanmar in mini-excavators and loaders, and Sakai in paving equipment.

Like Komatsu, Hitachi has put a big effort into exports. Last year it was the market leader in excavators in the UK with 360 scales. It also ships about 800 a year to the US since a licensing agreement two years ago with Deere.

Hitachi says its sales of excavators are being restricted only by its production capacity of about 800 a month.

Komatsu, Hitachi, Kobelco, Mitsubishi and JSW were found guilty earlier this year of dumping excavators in the European Community. Dumping duties ranging from 31.9 per cent for Kobelco to 2.9 per cent for JSW have been applied.

None has taken action to insulate itself from this and other measures that would hurt exports. However, there are strong rumours that Hitachi will soon announce a major tie-up with VME, the joint venture formed last year by Clark Equipment of the US and Volvo BM of Sweden.

Komatsu has been trying for more than a year to establish manufacturing in Europe. Attempts at joint ventures with the UK companies Northern Engineering Industries and Terex have not succeeded, and the company may end up going it alone.

One big problem, according to Mr Shoji Nogawa, Komatsu president, is that the European market is fragmented and national bias applies in each country. If Komatsu built a plant in the UK, for example, it might find that its products were not welcome in France or West Germany.

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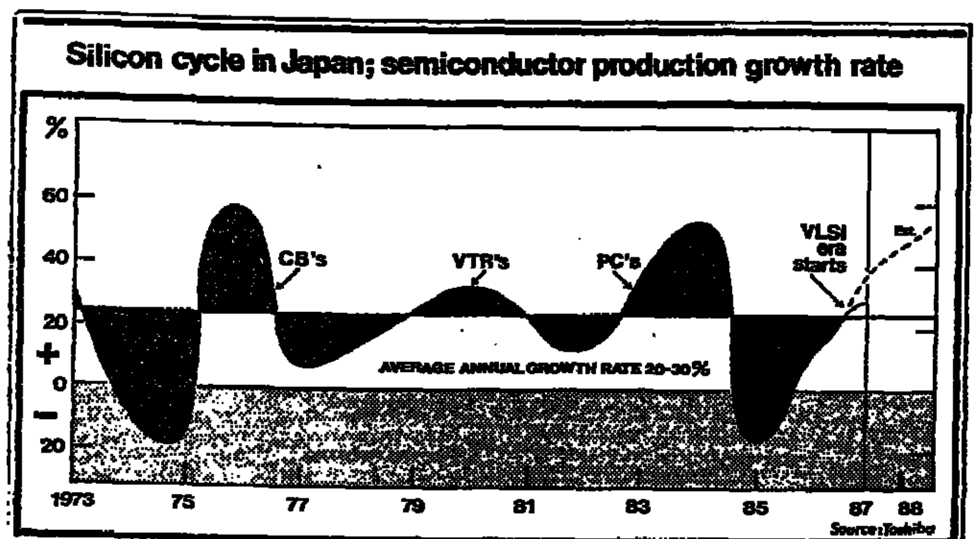


The growth rate for semiconductor production is twice that of electronic equipment. The demand cycle is heavily affected by user's prospective booking and inventory control. Technology innovation can create a new market

Eyes on next big winner

BUY A soft drink from a vending machine on a Tokyo street and the machine will invariably thank you for your purchase. Visit a loo in a modern Jananese apartment block and you will be comfortably warmed by the electronic loo seat.

Perhaps it is because of their small houses, or may be it is because of the Japanese tradition of high-quality service. Whatever the inovation, the Japanese are passionate about electronics and that passion will remain one of the major economic forces in Japan for decades.

According to the Economic Planning Agency, electronics will account for 8.3 per cent of the country's gross national product by the year 2000 compared with 4.8 per cent today. It will remain the fastest growing industrial sector during that period and the largest component of the manufacturing sector.

But business for Japanese electronics companies in 1985 was bad. After sailing through the recession on the strength of growing profits and sales, top electronic groups reported some of the biggest declines in profits for a decade.

The trouble has been the world-wide semiconductor glut, with near ruinous prices for the chips which the Japanese call "the rice of industry." At the same time, US producers claim that the Japanese were dumping chips at unfair prices, a move which has further soured the bilateral trade relationship between the US and Japan.

The industry is mostly accepting the problems philosophically. While strenuously denying the dumping charges, all the main semiconductor companies are speeding plans to increase overseas production and reduce exports. At the same time, they have their eyes fixed on the next generation of electronic products in the hope that one or more will be the next big winner.

The key for the majors, which include Matsushita, Toshiba, Fujitsu, NEC and Hitachi, will be their ability to break out of the silicon cycle. They aim to reduce their dependence on commodity chips and lead the way toward the super-sophisticated chips and electronic components of the future.

At Toshiba, Mr Tsuyoshi Kawanishi, director and group executive, says the boom-bust troubles of semiconductors are due to the relative immaturity of the electronics sector. Most electronic devices contain a number of smaller components, so when sales change, the rate of growth of components is magnified.

Electronics

CARLA RAPOPORT

For Toshiba, the solution is to step up collaborative ventures and make sure that its technology is close to the cutting edge in all areas of electronics. It has signed technology deals with LSI Logic of the US, Seimens of West Germany, and is in talks with many others.

For Hitachi, the path is more independent, and largely based on the company's own research.

"We are focusing on new devices which will let us be independent from these cycles," says Mr Sutezo Hata, senior executive managing director for electronic devices at Hitachi.

By 1988 integrated circuits will grow by 8 per cent a year. Within this, memory chips will grow by only 8 per cent, logic chips by 11 per cent and microprocessors by 13 per cent. Hitachi is concentrating on custom-made logic chips, which will grow by 28 per cent a year, he says.

At NEC, the name of the game is integration. "Our spectrum is almost perfect. It ranges from personal computers to super computers to satellites and every kind of transmission tool," says Mr Nobuhiko Shimasaki, general manager, C&C systems development division.

According to Mr Tomihiro Matsumara, NEC senior vice-president and director, 25 per cent of the company's semiconductor sales will come from new devices by the end of next year.

Companies turn coy when asked about the specifics of these new products, which is not surprising considering the keen competition for new market opportunities.

A recent electronics report by Jardine Fleming in Tokyo titled Double Boom to Double Bust carries a tongue-in-cheek Miss Electronics contest, rating the various runners for big sales over the next few years. The semi-finalists were the video or optical disc, the compact disc and disc players, digital television, and the compact 8mm video camera and related equipment.

"Growth over the next 10 years can be domestically-led," says Mr Otomi Fujii, a director of the Electronic Industries Association of Japan, in reference to the big trade surplus Japan has with the US and Europe.

The EIAJ says growth will still be pinned on consumer products. Half of Japan's semiconductor output goes into consumer electronics, compared to 11 per cent in the US.

A report on the semiconductor industry by the Industrial Bank of Japan (IBJ) does not mince words over Japan's future. It points to the wide diversification of the main electronics companies and concludes: "Japanese companies will top the world, by 2000." Therefore, trade friction in semiconductors will be aggravated instead of alleviated.

Entering era of super credit card

ONCE THE Japanese are finished with the credit card it will never be the same.

The electronic smart card —with an integrated circuit or memory—has been in use in France for some time. All the main credit companies are studying the memory card with a view to widening the use of the ubiquitous bit of plastic.

But in Japan research is reaching an advanced stage for a card which may replace the magnetic storage system used by computers.

The random-access memory card, according to Mr Hiro Shogase, manager of Memory Card Project at Toshiba, could be used for external memory on a personal computer, doing away with floppy disks.

The Ram-card of the future would need to have one megabit of storage capacity; these under test have only 284K of memory.

Ram-cards are only one of an array of super credit cards on their way. Toshiba is also working on a reader/writer for a laser card, made with opto-electronics technology.

This card will be aimed at the publishing companies. Instead of receiving a magazine by post, a customer in the future may receive a laser card and pop it into a home terminal to display a magazine or broker's report.

The new card will also have medical applications, perhaps holding information on a patient's x-ray examination. One x-ray negative requires one megabit of storage, according to Toshiba, making such a project more suitable for optical storage rather than on the conventional smart card.

Toshiba is also working with Visa of the US on a multi-functional bank/credit card. It is shipping sample cards to potential customers at the rate of 5,000 to 10,000 a month and hopes to be in full production by the middle of next year.

The cards will have, debit and credit functions, plus a clock, calculator, small memory for telephone numbers and automatic currency exchange function, so a customer in the US can be billed in yen, for example.

Close at Toshiba's heels are Casio, Sharp, the main Japanese printing companies, and giants like NEC.

C. R.

Fighting for slice of cake

THE PRIVATISATION of NTT in April triggered a wave of initiatives by foreign and domestic companies who plan to offer a wide range of new services in Japan. No field has shown more dynamism, however, than that of Value Added Networks (VANs).

More than 170 companies have registered for, or plan to offer, general VAN services, and at least seven companies have signed up for the special VAN field.

General VAN offers leased-line services covering such areas as voice, data and video transmission, voicemail, facsimile mail, videotex, telephone exchange services, message/packet switching and TC teleconferencing.

Special VAN companies, which include Intec, Fujitsu, NEC and Hitachi, provide international telecommunications services or large-scale services through nationwide networks to mass customers. These services include message and packet switching.

Value Added Networks

ROY GARNER

Both special and general VANs come under the umbrella title of Type 2 carriers within Japan's new telecommunications laws. Early participation in these VAN markets is essential to ensure subsequent success and it is expected that the number of entrants will be swelled further by new companies registering in the coming months.

Mergers among those already in the running are also expected, with a market shakedown developing.

Although computer and communication companies are some of the biggest investors in VANs other participants cover a wide spectrum of business activity ranging from banking, computer services and trading to shoe manufacturers toiletry producers and heavy equipment contractors.

According to latest estimates, Japan's VAN market has a value of Y300bn and will grow to Y800bn by 1990. A big spur to the market is the low compatibility between computers and communications equipment of enterprises — even of branches within companies—in Japan.

Demand exists for improvements in the speed of data exchange, especially in financial, distribution and service areas where the speed of data flow directly influences profit margins.

The relative inexperience of Japanese companies in offering VAN services is one factor behind the large number of tie-ups between Japanese and foreign businesses in the field. The most controversial has been between NTT and IBM.

Japanese competitors claim that joint activity by the companies could quickly lead to a monopoly of much of the VAN services business. NTT's president quickly guaranteed that this would not happen and the initial resistance has given way to a wait-and-see posture.

On the domestic front, typical of those newly starting is the Planet joint venture, centred on Intec.

Eight specialists in toiletry including leading cosmetic producer Shiseido, will jointly finance the venture, which will link the companies and wholesalers nationwide to streamline instructions and monitoring of orders. The group aims to connect this VAN system later with other networks dealing with the distribution and banking businesses to provide new competitive data transmission services.

Deep recession leads to yard cuts

Shipbuilding

YOKO SHIBATA

FOR THE Japanese shipbuilding industry the crisis which it had been forecasting for the past decade now seems to be at hand. A deep recession has hit Japanese shipyards with no relief in prospect, as in earlier years, from new business areas, such as oil drilling rigs.

Well before the Sanko Steamship collapse, demand for new vessels had plummeted. Since mid-August when the crash occurred demand has fallen even further, with the big international financial institutions, and in particular US banks, becoming much more wary of involvement in shipping finance. Shipbuilders expect their yards to be idle around the middle of 1987.

In addition, Japanese yards are threatened by a possible cancellation or deferment of delivery of orders from Sanko and Hong Kong's C. H. Tung group.

Intensifying competition from builders fighting for the reduced number of new orders has brought prices down, too, to 30 per cent below the break-even point. Even order-hungry shipyards have become hesitant to take on work at the prices available. The six big Japanese builders' pre-tax profits fell by 10 per cent to Y377.7bn in the half year to September 30 1985.

In view of the worsening position of the industry, the Ministry of Transport in late October asked the council for the Rationalisation of Shipping and Shipbuilding (CRSS) to implement a plan for the stabilisation and revitalisation of shipbuilding.

The council has been in abeyance for seven years since the last shipbuilding recession in 1978 when the nation's 33 shipyards closed 35 per cent of their building facilities. Total capacity was cut from 9.8m compensated gross registered tonnage (CGRT) to 6.4m CGRT by the end of March 1980. Even this, however, has not proved large enough for dwindling demand.

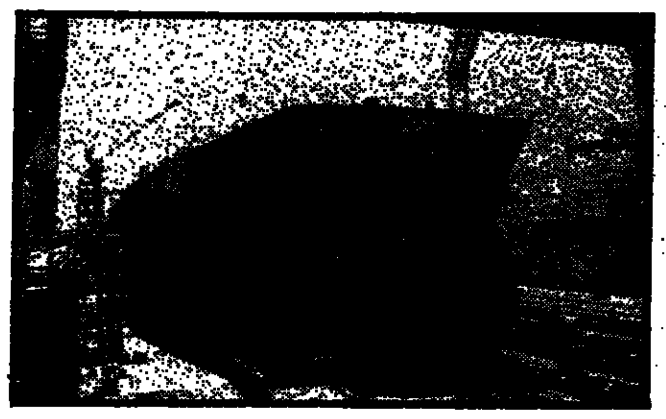
The Ministry of Transport set a ceiling of 4.4m CGRT in 1983 and 4.06m CGRT in 1984, and this will drop further to 4m CGRT in 1986. However, the shipbuilding industry is currently said to have excess capacity of 1m CGRT.

Over the past decade, the shipbuilding workforce has been cut by two-thirds from 183,000 to 60,000 through retirement or re-direction to other sectors or other industries. The Shipbuilding Association of Japan thinks the industry should shed a further 30 per cent of its workforce from current 60,000 to 42,000 to match rapidly falling demand. New orders tumbled one third from 27.7m gross tons at their peak in 1973 to 8.4m gross tons in 1984, and since the beginning of this year, orders received have hovered around one-quarter of the previous year's level in each month.

Against the background of over-capacity and the nosedive in new orders, the CRSS's inquiry will centre on four points:
- reduction of operations in individual yards;
- a cut in total building facilities;
- promotion of ship scrapping;
- employment problems resulting from the trimming down of yard capacity.

The council is expected to come up with a recommendation next May, but, short-term recommendations will be made in February.

During discussions at the CRSS, the major shipbuilders have reached a consensus that the level of output should be fixed some 15-20 per cent below the current level by 1987 at between 3.3m to 3.5m CGRT against the present official ceiling of 4.1m CGRT. Whereas the current building capacity is based upon speculative demand, in future according to the recommendations it should be based upon real market demand.



The Mitsubishi yard at Nagasaki

Despite cuts in production capacity, the Japanese have managed to dominate the world market with a share of nearly 50 per cent in the past 10 years, a period in which South Korean yards have eroded the European share to emerge as the second largest shipbuilding nation in the world.

The South Korean yards' bid to catch up with Japan has been a major problem for Japanese yards in recent years.

Even before the expected recommendations of the CRSS next February the big shipbuilders have started painstaking efforts to lessen the burden of excess manpower.

Last month, Hitachi Zosen obtained agreement with its labour union for the company's plan to reduce 5,000 workers by 1987, following its withdrawal from new building at its Hiroshima works. Hitachi will integrate its new construction at its Ariake works in Kyushu, the southern island, so as to survive the recession in 1987.

Hitachi's bold steps have been matched by other shipbuilders. Ishikawajima-Harima Heavy Industries (IHI) is to reduce the current 24,000 in its shipbuilder's sector to 20,000 by March 1988.

Mitsui Engineering and Shipbuilding is dispatching 1,800 workers to other companies next year, and Sumitomo Heavy Industries is making its 800 workers redundant.

Mitsubishi Heavy Industries, the largest builder in Japan has already shifted 7,000 workers to other sectors including Mitsubishi Motor or to nuclear power generation department. Nippon Kokan Kaisha (NKK) has proposed to unions a reduction in its workforce of 1,090 following a cutback in new shipbuilding capacity at its Shimizu work.

However, the question is whether the scrapping of facilities and redundancies can be carried out in a similar manner to 1979. The big groups like Mitsubishi Heavy Industries or Ishikawajima-Harima Heavy Industries can absorb surplus workers. Most of the others had already trimmed yard facilities severely, after 1979.

The scrapping of yard facilities threatens to cause a serious employment problem in local towns which depend heavily on shipbuilding.

Hitachi's withdrawal from new building at its Hiroshima yards has been a shock, as the local area of Innoshima concerned is largely dependent upon shipbuilding. In order to secure job opportunities for local workers, Hitachi Zosen is planning to establish new local subsidiaries, such as Innoshima Jozo, which brews brandy wine from local mandarin oranges, or prawn farming through a subsidiary, Innoshima Fishery.

A more moderate stance was adopted by the Koreans at industrial talks in late November.

The South Korean shipbuilding industry's representatives said they intend to reduce orders to about 80 per cent of 1983 levels though this is still regarded as too optimistic.

PROFILE: KAWASAKI HEAVY INDUSTRIES

By IAN RODGER

Bitter criticism over trade frictions

KAWASAKI Heavy Industries was designed largely as part of the nation's export arm just like many heavy industrial conglomerates around the world—Mannessmann in West Germany and CGE-Alstom in France come to mind.

Although best known as a leading motorcycle producer, KHI's main activities are in capital goods such as ships, railway carriages, boilers, turbines, and steel, cement and chemical plants.

The group is frequently involved in big overseas projects arranged by Japan's formidable trading companies and, like them, sales and export growth at KHI has often seemed more important than achieving a substantial return on capital.

But the heyday of this type of company in Japan has come to an end. The Government is trying to promote imports and is encouraging manufacturers to invest in plants overseas. So KHI and similar companies like IHI and Mitsubishi Heavy Industries are no longer the focus of interest.

It is very difficult for them to contribute to the new trade policies. It would be absurd, for example, for KHI to start manufacturing turbines in the UK or boilers in the US.

Mr Kenko Hasegawa, president of KHI, is keenly aware of the company's uncomfortable position. "As a manufacturer, our fundamental structure is designed for importing raw materials, manufacturing them here and exporting a large portion of them.

"We have had a 40 per cent export ratio for a long time. If we were told not to export, we could not live."

Mr Hasegawa is bitter about the development of trade problems with the rest of the world, blaming it largely on the Japanese automotive and electronic equipment manufacturers.

He suspects that the sudden rise in the value of the yen will be damaging to the group. Until this autumn, KHI was optimistic that it was on the road to recovery. It suffered losses of Y5.9bn in 1983 and Y6.8bn last year because of the slump in the shipping industry, losses on a few overseas process plant contracts and severe competition in motorcycles.

But in the first half of this year, it had an unconsolidated profit of Y2.6bn, and for a while the outlook was looking brighter. Now it has become clouded again, not only because of the continuing crisis in shipbuilding but also because of the change in the terms of trade.

"The exchange rate is too high and we have no way of coping with it, so we are losing a lot," Mr Hasegawa says. "Our export ratio will go down."

KHI has tried to diversify and some analysts have been enthusiastic about its moves into defence equipment. It is now the largest defence supplier in Japan. But Mr Hasegawa is pessimistic about the potential because the Government is limited to spending 1 per cent of GNP on defence. And he says foreign markets for defence equipment are too complicated.

Another diversification into robotics and factory automation shows promise, but results have been average because competition is fierce.

The sector that excites Mr Hasegawa is aerospace. KHI is a leader in Japan in this sector with sales last year of Y101.9bn, and Mr Hasegawa is chairman of the Japanese Aircraft Development Agency. KHI makes sea patrol planes and has co-operation agreements with MBB of West Germany on the MB13 and BK117 helicopters and with Boeing and Hughes of the US on others.

It also makes partial assemblies for the Boeing 767 jetliner and is discussing with Boeing the 7J7 jetliner project. It is also one of the partners with Rolls-Royce of the UK in the International Aero Engines consortium.

Kawasaki Heavy Industries

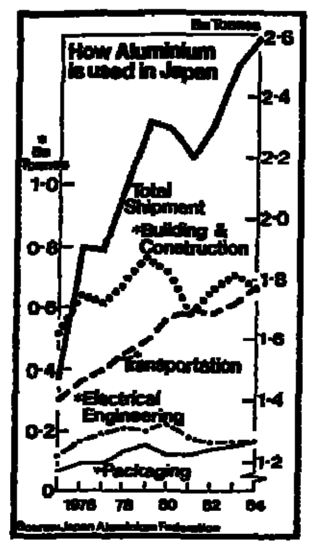
Division	1984/85 Sales Y bn
Aircraft and other	198.7
Generators	168.2
Shipbuilding	137.6
Machinery	114.7
Plant engineering	99.4
Rolling stock	45.8
Total	764.4

Apparent Supply of Primary Aluminium Ingot

(metric tons)

	Production	Exports	Imports Total	US	Canada	Australia	New Zealand	Ratio of imports to supply	Ratio of imports to production
1973	1,096,765	2,875	475,654	41,133	79,576	37,752	76,801	30.3	43.4
1974	1,118,374	34,860	478,904	65,398	73,917	31,162	82,105	30.7	42.8
1975	1,013,259	83,506	378,333	30,246	48,330	66,548	82,661	28.9	37.3
1976	919,425	69,706	430,125	34,228	12,963	44,319	105,156	33.6	46.8
1977	1,188,197	99,649	533,807	11,478	67,386	61,371	110,284	32.9	44.9
1978	1,057,710	54,594	740,204	39,443	124,997	59,125	121,551	42.5	70.0
1979	1,010,409	7,946	748,438	109,270	108,811	37,425	110,132	42.7	74.1
1980	1,091,477	7,644	910,085	398,712	123,589	26,368	92,079	45.6	83.4
1981	770,602	12,100	1,129,322	266,325	116,152	69,580	108,574	59.8	146.6
1982	350,706	6,681	1,446,566	306,456	193,110	111,661	122,833	80.8	412.5
1983	255,909	1,679	1,603,732	259,466	141,621	114,735	175,954	86.3	626.7
1984	286,728	2,283	1,347,817	177,683	111,405	236,530	154,246	82.6	470.1

Source: Ministry of International Trade and Industry, Japan Tariff Association.



Grumbles over government apathy

Aluminium

IAN RODGER

THE TALK in the European and North American aluminium industries these days is all of dis-integration—that is, the specialisation of companies in one of the primary production and finishing sectors, but not both.

But while the Europeans and North Americans talk, the Japanese have swung into action. In the past decade, the country's large aluminium industry has effectively become dis-integrated through the closure of almost all the primary smelters.

It is probably too early to say whether this has been a good thing. There is still a lot of grumbling in the industry about the lack of government sympathy for its plight, and most companies are still straining under the weight of the financial cost of the closures.

The main worry is that some companies may be losing their competitiveness because they have been unable to invest in modernising plant in the past few years.

"We are afraid that the Americans will start exporting can sheet here," says Mr Toshisada Fujimoto, director of the Japan Aluminium Federation. "They have all modernised their mills, and our fabricators must invest to catch up."

Some Government and industry leaders also fret that the country's overwhelming dependence on imported aluminium could be damaging if a worldwide shortage developed. Some also raise the strategic importance of aluminium, for example, in making military aircraft.

"If all of a sudden imports stopped, we would suffer. Our mills would have to stand idle," Mr Fujimoto says. He argues that the country's lack of domestic smelting is already hurting. "Everybody knows we are vulnerable, so we do not have any bargaining power for buying ingot in international markets."

Others are not so pessimistic. Mr Keiichi Yokota, managing director of Nippon Light Metal, the country's leading producer, says overcapacity in the world aluminium industry is so great that there is unlikely to be any supply shortage for the foreseeable future.

"And if the price goes up, the developing countries will increase production," he says.

The restructuring of Japan's aluminium industry goes back to 1973 and the impact of the first oil shock. At the time, the country was one of the world's leading producers of the metal, with total primary capacity of 1.6m tonnes. Almost all of Japan's smelters were dependent on electricity generated from oil-fired power stations, and the effect of the oil shock was to make most of them uncompetitive overnight.

The Japanese aluminium producers, like many competitors in Europe and the US, pleaded with their Government for special low electricity prices, but to no avail. The Government suggested that they would be better off closing smelters in Japan and investing in new ones in countries with low cost electricity.

And so they did. Between 1976 and early this year, nearly 1.3m tonnes of aluminium smelting capacity in the country (80 per cent of the total) was closed. Even though there are only five small smelters left, there is still talk of more closures.

Mitsui, for example, has just shut its Japanese alumina refinery, and some observers take that as an indication that the group's 60,000 tonne per year smelter is also under threat. Similarly, because of today's low metal price, the Showa, Sumitomo and Mitsubishi groups are also believed to be re-evaluating their domestic smelters.

Only Nippon Light Metal's 64,000 tonne Kambara smelter near Mount Fuji is considered secure because it is based on low-cost company-owned hydro-electric power.

Meanwhile the companies have invested in seven big overseas smelter projects.

During the first phase of this programme in the late 1970s, the companies were able to cope with the costs because of the buoyant prices for aluminium. But when the price slumped in 1980, it looked as if there might be bankruptcies. In 1981, the industry had collective losses of Y53.6bn, further losses of Y97.5bn the following year and the prospect of more as the smelter closure programme accelerated.

The Government stepped in with a programme to rebate the 9 per cent tariff on ingot imports equivalent to the 400,000 tonnes of capacity still earmarked for closure. This generated Y13bn in the three years it operated, but it also provoked the wrath of the US aluminium industry, which saw it as an unfair subsidy.

Mr Yokota dismisses the US complaint, which has been formalised in a countervailing duty case.

Nippon Light Metal, for example, has lost money every year since 1975. Last year it lost Y3.3bn on sales of Y279.8bn.

Meanwhile the investments in smelters overseas have not worked out well. In most cases the deals included formulas for pricing the share of the output that the Japanese would buy. These have proved to be anachronistic, and the Japanese have been paying more for their metal than if they had been buying on the open market.

There is some debate about how much damage has been caused to the downstream end of the industry by the crisis in the primary sector. The problem seems to be confined to hot rolling, where six of the eight mills in the country were built before the 1970s. However, industry leaders say hot-rolled coil is, like ingot, increasingly a commodity and is an acceptable import.

According to the federation, 16 of the 25 cold-rolling mills are more than 15 years old, but this sector is in better shape because of an 11.5 per cent tariff. It is also exporting substantial tonnages to the US.

However, Mr Fujimoto says the mills make profits only when the market is buoyant, and he worries about the impact of a reduction in the tariff to 9.2 per cent that comes into effect in January.

Further downstream, there is no evidence that the restructuring has had any effect. Consumption of aluminium in Japan continues to rise, and fabricators of finished products are prospering. Demand for aluminium has risen from 2.4m tonnes in 1982 to 2.7m tonnes last year and the federation forecasts steady future growth of about 3 per cent a year.

If big aluminium consumers, including aircraft and other manufacturers, are worried about the security of their supplies, they are not showing it. Mr Kenko Hasegawa, president of Kawasaki Heavy Industries and chairman of the Japanese Aircraft Development Agency, said it would be disastrous for aluminium companies to go on producing in Japan as long as electricity prices were high.

Further evidence of the lack of concern comes from the fact that the Government last month ended a long-standing programme to help finance aluminium stockpiles.

One remaining question about Japanese restructuring is the impact it will have on the world aluminium industry. With the metal in abundant supply and the world price depressed, no one has notice that Japan has become the world's leading importer.

Last year the country imported 600,000 tonnes of so-called development metal from overseas smelters in which Japanese companies have invested. Another 457,000 tonnes were taken under long-term contracts and 544,000 tonnes through spot purchase. (The remainder of the country's needs comes mainly from recycling.)

Western industry leaders fear that this buying power will introduce a new element of volatility into the aluminium price. The Japanese will become aggressive buyers as soon as the metal price starts to rise, they say.

Market leaders set for overseas expansion

Clothing

CARLA RAPOPORT

THE JAPANESE show a schizophrenia about dress that is almost uncanny. The rise to fame of designers such as Hanae Mori, and Issey Miyake has meant that fashionable Japanese are among the best-dressed in the world. Yet the average businessman invariably dresses in a navy blue suit of average-to-poor quality as if allergic to style.

Outside the cities the split is even greater. Outerwear ranges from the traditional cotton robe or kimono to what is best described as "scarecrow chic."—an amalgamation of bright Western-style blouses and jackets with mis-matching trousers, worn by both men and women.

Japan's US$20bn-a-year apparel industry is a bit schizophrenic itself. On the one hand it is an entirely home-grown industry, subject to little import competition and, uninvolved in Japan's export boom. On the other it depends on a Western image for its style, glamour and growth.

But the industry is one to watch over the next few years as its leaders continue to shed their parochialism and move into international markets.

As is many other domestic industries, Japan's garment sector is heavily fragmented and therefore hard to quantify. More than 10,000 companies make apparel for sale through some 70,000 garment shops. About 20 per cent of Japan's sales are through department stores with only about 4 per cent through clothing speciality stores. Both levels are appreciably smaller than in the US and Europe.

Supermarkets make 19 per cent of sales, which underlines the popularity of inexpensive clothes. Another 55 per cent is sold at small stores, making distribution a nightmare. A complicated, costly triple-tier system of wholesale distribution links manufacturer to retail outlet.

As a result, the industry is split between thousands of small apparel makers, who barely cover their costs and fewer than ten giants.

Among public companies, only three stand out: Kashiyama, a leader in menswear: Renown, Japan's largest apparel maker; and Wacoal, specialising in underwear. These three account for more than 10 per cent of sales.

The proportion of income spent on clothes in recent years has been declining, but it is still 7 per cent of the average family income. Highest spending is by the young working woman who lives with her family and is able to devote most of her income to clothes in the years between school and marriage.

The overall market for clothes is fairly sluggish, expanding in nominal terms by only 3 per cent in 1984. It is mainly fashion clothes which are showing growth.

"There are two kinds of apparel companies in Japan," says an executive for Renown. "One is growing rapidly and the other declining. The first is the one focusing on fashion, the second makes ordinary clothes."

Japanese women want Western designers' labels on their Western-style clothes. Renown's stable of 90 brands includes Arnold Palmer sportswear, Cacharel skirts, Norma Kamali, Perry Ellis and Buster Brown.

"In the past, we had to produce only one line because different department stores accepted it. Now each store wants different lines." Renown says. This year the company has about 25 main lines, with the largest selling about Y700m to Y800 a year.

Kashiyama stresses the importance of foreign designers. By 1990, it says, 81 per cent of clothes consumption will be by choice, not need. "That indicates that individuality will play an increasing role in clothes purchases. Clothes are becoming more of a tool to express oneself and one's goals," says Mr Toshishige Tanaka, marketing director at Kashiyama.

Kashiyama maintains 170 brand names, including Ralph Lauren and Yves St Laurent. It is backing up claims to internationality by hunting new foreign designers. J. P. Gaultier was promoted by Kashiyama and now ranks among the most popular Paris designers.

Through the aid of an international designer competitions, Kashiyama hopes to continue to identify young designers around the world.

All three main apparel makers have begun producing clothes overseas, although strategies vary. Renown has begun making clothes in South Korea for both the domestic and Japanese market. Next year, it hopes to incorporate manufacturing businesses in Singapore and Hong Kong. A production plant in the US is also under consideration.

Kashiyama has organised production in Italy, in co-operation with local manufacturers, with the aim of exporting to the US. Kashiyama sees foreign production and sales increasing perhaps five-fold over five years.

"In the future, maybe we will also produce in the US," Mr Tanaka says.

Wacoal has joint-venture production facilities in South Korea, Taiwan, Thailand, and China. For its growing US subsidiary it is manufacturing most of its garments in Puerto Rico.

Expanding into overseas production will be an important challenge. As Renown explains, sub-contractors supplied about 71 per cent of its $880m of goods sold in 1984. The company has 410 sub-contractors, most of which are small companies dependent on Renown. No contractor accounts for more than 2 per cent of sales, so the company enjoys flexibility for fashion changes.

On the other hand, the apparel companies suffer from a punishingly brutal merchandising system. Unsold merchandise is the manufacturers' responsibility, not the stores. As Wacoal notes in its annual report: "Unsold merchandise in fiscal 1984 was equivalent to 14.3 per cent of sales, compared with 16.9 per cent in fiscal 1983 and 13.9 per cent in 1982."

Japanese department stores specialise in shop-within-shops, where manufacturers not only deposit the goods but also sell them with their own staff.

Kashiyama, for example, has 3,600 full-time employees and another 3,600 sales girls on one-year contracts who sell at department stores around Japan.

Considering these conditions, it will not be surprising if Japanese makers who expand overseas meet with considerable success.

Downhill ride in a crowded market

THE RAILWAY equipment industry is peculiar, says Mr Masahiko Ishizawa. "If there were only two companies remaining in it, they would kill each other."

Mr Ishizawa is executive managing director of the rolling stock division of Kawasaki Heavy Industries, the leading Japanese company in the field.

Many in the close-knit railway industry might be surprised by the bitterness of Mr Ishizawa's remarks. Kawasaki has been one of the most successful companies in this sector in the past decade, and the Japanese producers in general have made extraordinary progress in world markets.

Early this year, for example, a consortium led by Kawasaki beat a British one led by Metro Cammell to a $280m contract for railcars on the Singapore metro.

Toshiba, another major maker of railway equipment, estimates that the Japanese have managed to work their way up to fifth position in the league table of passenger rail equipment exports.

Out of a total export market of $3bn a year, the company believes US and West German makers each supply about $500m, France and Czechoslovakia about $400m, the British are about level with the Japanese and the Canadians follow with about $150m-$200m.

The Japanese have been in export markets only over the past 10 years, but they have long been big manufacturers of railway equipment. And with good reason. Japan has one of the largest rail networks in the world, with 21,000 km of national railways and a further 5,600 km of private ones. British Rail's network is just under 17,000 km while that of the French SNCF is 35,000 km.

Use of Japanese railways is also high. The Japanese National Railways (JNR) runs 190bn passenger/km per year and the private railways 126bn passenger/km. By contrast British Rail achieves about 30bn passenger/km and the SNCF 58bn.

Both systems in Japan have been big buyers of equipment for a long time. JNR has some 18,000 electric coaches, and the private systems 17,000. Supplying these needs has made the Japanese industry one of the largest in the world, with three main electric traction makers, Hitachi, Toshiba and Mitsubishi, and six rolling stock makers, of which Kawasaki and Tokyu Car are the most important.

The home market has been declining, however. In 1971 JNR was spending more than Y1,000bn ($500m) a year on equipment, and in the middle of expanding its Shinkansen (bullet train) network. Since then, it has been all downhill, with spending this year amounting to only about Y500bn.

Railway Equipment

IAN RODGER

And the outlook is bleak, because JNR is curtailing spending in advance of privatisation plans. The private *sector has maintained its spending*, but that has not been enough to keep the big suppliers going.

But the export drive has been a huge success. Kawasaki, for example, has built its export turnover from Y5,717m in 1978 to Y19,320m last year.

So why is Mr Ishizawa so unhappy? Unfortunately, the rise of the Japanese has added to the crowding in a chronically overcrowded industry, and few manufacturers can prosper.

The market is in long-term decline. Those countries with railways tend to have their own manufacturers and so, with the big exception of the US, are not open to foreign suppliers.

Developing countries tend not to be enthusiastic about building railways. Mr Ishizawa says most developing countries are too impatient to choose rail as a key form of transport, even for crowded cities.

"It takes about 10 years to build a transit system, whereas you can get a car on the road tomorrow.

"We are not saying that the railway industry is dying," says Mr Ishizawa, formerly JNR chief engineer and still known in the industry as the Emperor. "Every year, some new ones open. But the emphasis is on short-distance, urban transit systems that do not require many vehicles."

So railway equipment manufacturers compete ferociously for the few orders available. "In almost every case we are selling at breakeven or loss. If we carry on like this, there will be no money for research and development," Mr Ishizawa says.

He believes leading manufacturers should co-operate more. "The ultimate goal is having international ground rules. It is difficult to see how we would get there, but if we keep it in mind, we may."

Meanwhile, it is up to the companies to form alliances on projects, and the Japanese have done this in a few cases. Toshiba is making diesel-electric locomotives with Daewoo of South Korea for export to Africa. On the Singapore metro contract, Kawasaki has taken European companies as sub-contractors.

Kawasaki tried to co-operate with Metro Cammell on the Hong Kong rapid transit project in the late 1970s but was rebuffed by the British company, which won the £50m order.

"If we had been able to work together there, we might not have had to compete against each other in Singapore," he says.

Kawasaki has held out another olive branch in recent months. Last spring, London Regional Transport visited the company's factory in Japan and invited it to tender on rolling stock. Kawasaki reminded LRT that in the past it had invited French and West German makers to bid on orders but had never given them significant business.

"We told them they had two strong manufacturers in the UK while we were strangers. We would be happy to bid but not if it was just a means of pushing down prices.

"If the railway companies continue to rejoice in wide-open competition, they will kill the manufacturers and that will result in slower development of technology and lower quality rolling stock."

The Shinkansen (bullet trains) at Tokyo station. Railways are now investing much less in equipment

Star of the stock market

Textiles

JOHN MAKINSON

THE textile industry should be one of the most depressed sectors of the Japanese economy.

It is in the backyard of the world's cheapest producers — China, South Korea and Taiwan. It has also stuck to a policy of vertical integration, riding the ups and downs of the oil price, in a country which has virtually no natural resources. Western textile companies have long disavowed that policy, but it remains a cornerstone of the Japanese industry.

Finally, its speciality is synthetic fibres, long regarded by most US and European companies as an area of chronic overcapacity.

For all that, the textile industry is one of the stars of the Tokyo Stock Exchange. The sector commands a price/earnings multiple of about 40, almost double the market average. In the UK the textile sector languishes on a p/e of just under 10, well below the average for industrial companies.

The Japanese industry has evidently done a few things right.

The success of the fibre companies can be traced to the early 1960s when, with a little prodding from the Government, they almost all embarked into systematic diversification.

Mr Hajime Ogawa, executive vice-president of Asahi Chemical Industry, says his company experienced stagnation in acrylic fibres in the early 1960s and identified three new fields for expansion: nylon, synthetic rubber and building materials. In 1965, fibres accounted for just over three-quarters of Asahi's parent company sales; in the year to March 1985 it contributed 28 per cent of sales and 20 per cent of profits.

Asahi is now engaged in an exercise similar to that of 20 years ago. It has been making business projections for the next century and decided to make a heavy commitment in electronics, bio-chemical products, new materials and energy-related technology.

Toray and Toho Rayon, both substantial synthetic fibre manufacturers, have diversified into carbon-fibre production and are now world leaders. Toray also has interests in medical supplies, membranes and printing plates.

The success of this diversification was clearly demonstrated by the industry's results for the half-year to September. Almost all the textile companies complained of difficult synthetic fibre markets and attributed their earnings growth to interests as diverse as housing, plastics and high-quality film.

Change blocked by part-timers

IN A land where production efficiency ranks next to godliness Japan's agriculture industry is the exception.

"Farming in rice and grain in Japan is not very efficient. What we do in agriculture in many ways is off-the-cuff," says Mr Takeharu Chikanaga, deputy director-general for policy planning of the Ministry of Agriculture, Forestry and Fisheries.

The price of rice in Japan, which is government supported, towers above the international average. Australian producer prices, for example, are about a seventh of those in Japan. The level of protection for farmers in Japan is the highest anywhere except Switzerland.

According to a study by Japan's Forum for Policy Innovation, agriculture protection (domestic agricultural prices minus international prices, divided by domestic prices) is about 45 per cent in Japan, compared with 24 per cent in the UK and 26 per cent in all EEC countries.

The Japanese eat about 25 per cent fewer calories a day than Europeans, but pay the same or more of their income on food.

The roots of the problem go deep. In an effort to prevent *the return of feudal land*-holders, land was divided into small parcels after the second world war and given to individuals. Farm land however, is extremely scarce, with 1.4 hectares per person available in Japan, compared with 38.2 in the UK and 151 in Canada. As a result, land prices have soared and farmers, even part-timers are reluctant to sell.

According to the Central Union of Agricultural Co-operatives, only 13 per cent of Japan's 4.4m agricultural families are solely in farming. Crop yields are low while livestock herds are uneconomically small because farmers augment their income with individual jobs.

The average milk herd in Japan is 24.1 animals and beef herd only 8.2.

The Government and the co-ops are encouraging part-time farmers to rent their land. However, at least a third of the farming workforce is over 60 years old and thus less willing to change their habits.

"It will be the 21st century before individual farmers hold 10 hectares of land," says Mr Makoto Sakurai, executive director of the Central Union of Agricultural Co-ops.

The inefficiency of the farming sector which enjoys powerful support from some of Japan's most senior politicians, continues to block chances of liberalising food imports. "If we allowed agricultural imports, Japanese farmers would be defeated because they lack competitive power," says Mr Sakurai.

In a comprehensive study of the Japanese agricultural system Mr Jimmy Hillman and Mr Robert Rothenberg concluded: "When more than 40 per cent of the land is earning maybe half of what it could, a serious misallocation of resources exists. Low productivity means high unit costs.

Agriculture

CARLA RAPOPORT

"Technical innovations and changes in the markets for food have created new opportunities for profit. Yet part-time farming has effectively frozen the structure of agriculture."

Conscious of the surplus of rice production because of high support, the Government has been encouraging farmers to diversify their crops.

But consider the case of the Gokita family in Chiba, about an hour's train journey from Tokyo. They farm one hectare of land, growing leeks and rice alternately.

The combine is used only 10 days a year, the rice-planter five days, while the big tractor two-thirds of the year.

"We have the capability to produce rice on five hectares," he says. "I would like to enlarge my land by renting from others. Unfortunately it is not possible," he says.

All the farmwork is done by Mr and Mrs Gokita, who make a good living. Their two sons are self supporting.

Mr Gokita says: "Some people are against government support for rice, but because of this government support and price guarantee, rice growing is guaranteed work. As a result, I think it's very promising for the future."

The World Economy, March 1985, Trade Policy Research Centre, Gough Square, London EC4A 3DE.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday December 17 1985

UTA seeks expansion as profits continue to climb

BY PAUL BETTS IN PARIS

UTA, the French private long-haul airline company owned by the Chargeurs group, expects to report profits of FFr 600m-FFr 650m this year, sharply up from earnings of FFr 219m ($28.4m) last year.

Mr Rene Lapautre, UTA chairman, also said in an interview that the airline, which specialises in African and Far Eastern routes, was seeking to expand with services to North America and Europe.

Under a French Government agreement signed in 1963 UTA was given routes connecting France and Africa as well as Far East and Pacific destinations, while its rival, the much larger state airline, Air France, flew to all other parts of the world.

Mr Lapautre said, however, that the international airline market had since changed radically. He said UTA, which has no government subsidies, was facing greater competition on its African and Far Eastern routes. To make the airline more competitive, Mr Lapautre argued, UTA would need new routes to consolidate its existing business and attract customers to its established services.

UTA is now bidding against Air France for the Paris-San Francisco route. "It is the first time in many years that UTA and Air France are bidding for the same route," he said. Although the move has discomforted Air France, Mr Lapautre argued that two French airlines flying to the US would strengthen France's competitive position on the transatlantic and US market at a time when the number of US airlines flying to France was increasing. A decision on the San Francisco route is expected in a few months.

Mr Lapautre has also been arguing forcefully at the Association of European Airlines (AEA) to allow two European airlines from the same country to fly to the same European destinations. This strategy reflects UTA's hopes to see its split of airline markets with Air France evolve on the lines of the more flexible relationship between British Caledonian and British Airways in the UK.

The strong rise in earnings this year includes a special gain of FFr 300m from an insurance claim to cover the replacement cost of a UTA Boeing 747 damaged by fire at Roissy airport this year. Even without this gain, however, operating earnings advanced strongly to around FFr 300m. Sales are expected to rise by about 8 per cent this year to more than FFr 6bn.

Despite the economic problems and the intense competition in its main markets, the private airline's earnings increase reflects a series of measures implemented by Mr Lapautre to maintain his company's competitiveness. It has modernised its fleet and reduced its debt by half in three years from FFr 1.5bn in long-term debt in 1984 to FFr 700m next year.

The company has also introduced a successful business class called Galaxy on its extensive African services. Mr Lapautre plans to introduce new fares incentives next year and to fit television screens in his long-haul carriers.

The television project will also tie up with France's fifth television channel being started next February by Mr Jerome Seydoux, chairman of Chargeurs, and Mr Silvio Berlusconi, the Italian television entrepreneur. Mr Lapautre said he expected his aircraft to screen productions from the private channel. He has already negotiated an agreement for this new in-flight entertainment with a French national television network.

Cadbury to sell hygiene division

By Charles Batchelor in London

CADBURY SCHWEPPES, the UK confectionery and drinks group, yesterday acknowledged defeat in its 13-year effort to develop a health and hygiene division with the announcement of plans to sell the businesses to their managements for £19m ($27.2m).

Cadbury has decided that the Jeyes and Ibcol disinfectant brands, Parozone bleach and Sanilav toilet cleaner, no longer sit well alongside its Wispa and Milk Tray chocolates, Schweppes soft drinks and Typhoo tea.

"Food and drink are our principal target areas," the company said yesterday. "This division clearly does not fit."

Cadbury's sales of consumer products, industrial cleaners and cleaning equipment and aerosol packaging made a pre-tax loss of £300,000 on sales of £63.2m in 1984. This compared with a profit of £1.2m on sales of £58.8m the year before.

"This division has never been a success," a stockbroking analyst said. "It was a slight oddity. It's good to hear they are clearing it out, but its failure to do well does not reflect well on Cadbury Schweppes' management."

Cadbury went into health and hygiene products in 1972 when it paid £12m for Jeyes Group, a public quoted disinfectant maker. It paid a further £7.7m for the industrial cleaning division of Reckitt and Colman in 1982, although there have also been disposals, notably of operations in Ireland and France.

Cadbury has been rationalising this business during the past 18 months and has pulled out of the manufacture of the toilet rolls and some other products. These cutbacks will lead to a small decline in turnover to about £58m in 1985.

Cadbury is now at an advanced stage of negotiations with the management teams of the three parts of this division, headed in each case by the general manager.

The deals should be completed within the next two to three weeks.

Cadbury plans to sell the Jeyes consumer products division, with projected 1985 turnover of £24m and nearly 700 employees.

The other two businesses for sale are the Jeyes Hygiene industrial products division, which employs 350 people and has turnover of £23m, and Aerosols International, in employing 170 people and with turnover of £11m.

The combined buy-out price of £19m is higher than the net asset value of these operations, Cadbury said.

Health and hygiene is the smallest of Cadbury's four divisions.

Volkswagen sees bright future with sales record

BY JOHN DAVIES IN FRANKFURT

VOLKSWAGEN, the West German motor vehicle manufacturer, is confident about prospects next year in the wake of its strong improvement this year.

But VW emphasised that it still had some way to go to match the earnings of its North American and Japanese rivals.

In an interim report, VW yesterday said the group's worldwide sales revenue this year should exceed DM 50bn ($19.8bn) for the first time, an increase of 15 per cent on last year. Including its Audi subsidiary, vehicle production should be up 12 per cent to 2.4m.

VW said the economic outlook in all its main markets was better than for many years. It hoped that would give a further boost to its sales next year.

The profit picture also looked favourable next year. VW reported group net profit of DM 424m in the first nine months of this year, but has not disclosed its likely full-year profits.

VW has been making a powerful comeback since losing DM 300m in 1982 and DM 215m in 1983. It turned round to a group net profit of DM 228m last year despite a seven-week labour conflict in the motor industry over shorter working hours.

Profits this year received a strong boost from performances of the Wolfsburg-based parent company, the Audi subsidiary, and the group's North American operation. Part of the success stems from the boom in export markets and the high dollar, which has magnified US earnings in terms of D-Marks.

On the other hand, earnings, of VW's South American operations and its Triumph-Adler office equipment subsidiary have been "unsatisfactory," VW said. Although net profits overall would be higher than last year's, they would "remain well below North American or Japanese levels," the company said.

That is a theme that Mr Carl Hahn, VW's chief executive, has often emphasised. Despite VW's strong momentum, he has repeatedly cautioned that more efforts are needed to improve profitability in order to remain competitive.

Much of VW's thrust has come from the success of its new-generation Golf in West Germany and European export markets. That has given VW an edge in the close race with five other rivals for market leadership in Europe.

VW and Audi together expect their deliveries to customers in West Germany to rise 3.3 per cent to 740,000 this year. European export markets should take a record 762,000, up nearly a quarter. Deliveries of VW and Audi models in the US are expected to be up 17.3 per cent at 292,000 and in Canada they should be up 53 per cent to 47,000.

With sales and orders building up, VW is planning to raise output in West Germany next year by introducing shifts on some Saturdays as well as some work during the normal holiday shutdown in summer. It sees good prospects of engaging more workers in the second half of next year, when its employees will be taking extra time off to make up for additional shifts.

VW has been gaining ground in Spain, aided by local production in co-operation with Seat, the Spanish car maker. VW has boosted its sales in Spain by as much as 66 per cent this year and its market share, less than 1 per cent five years ago, has now reached 8.5 per cent.

The West German company has been engaged in long negotiations about taking a large stake in Seat, which has incurred losses and heavy debt.

New York passes law to curtail takeovers

By Terry Dodsworth in New York

THE STATE of New York launched a sweeping attack on hostile takeover activity yesterday with legislation designed to make it extremely difficult for corporate raiders to operate without the consent of the target company.

The anti-takeover law follows months of lobbying in New York, the headquarters state for many large industrial corporations. The initiative will therefore influence anti-takeover moves being considered elsewhere in the country. It is also virtually certain to be challenged quickly in the courts.

The Securities Industry Association (SIA), the representative body for the Wall Street investment banks, has already come out strongly against the move, saying that it is "not the best method of addressing such important issues."

Among the main targets of the opposition is a clause in the law stating that when any bidder acquires 20 per cent of a company in the state, directors have to decide whether they approve of further share purchases by the same individual. If the directors do not approve, the acquirer cannot effect a business combination.

Thyssen warns of reversal linked to US trade policies

BY PETER BRUCE IN DUISBURG

EUROPE's largest private-sector steelmaker, Thyssen Stahl, has warned it may suffer a reversal in turnover and profits this year as Washington's protectionist measures squeeze important sales of semi-finished products and the weakening dollar forces Third World producers to turn away from the US and concentrate on European markets.

Thyssen Stahl announced net profits for the year ended September 30 this year had risen from DM 93m ($37.2m) to DM 383m. The group said that in the first 2½ months of the new financial year production and deliveries had fallen 3 per cent, with turnover down 5 per cent on the same period last year. The group remained "optimistic," however.

Sales of semi-finished steel to the US, where customers are mostly steelmakers unable to produce enough of the quality demanded by the motor industry, played a major role in bringing Thyssen Stahl back into profit in 1983–84. New quotas agreed between the European Commission and Washington mean, however, that Thyssen would be lucky to sell 150,000 tonnes of semis to the US this year, according to Dr. Heinz Kriwet, the group's chairman. Thyssen earned around $64m last year on sales of 300,000 tonnes of semis to the US. Total sales of semis in the US for 1983–84 were 450,000 tonnes.

Mr Werner Hartung, an executive board member, said that while the falling dollar would damage export prices export volumes would also be hit. Third World producers, including Brazil and South Korea, would turn to other markets when confronted by protectionist measures and tougher competition in the US. Logistic problems in Chinese ports also meant that Japanese producers were having to offload their output elsewhere, he said.

Mr Hartung added that West German steel consumption would probably not move from last year's level, despite an expected recovery in the domestic economy, but warned that local producers would probably lose some market share to importers. Imports from other European Community and third country producers currently have a 39 per cent share of the West German steel market. He added that price increases on a wide range of products planned throughout the EEC from January 1 might be difficult to implement.

Dr Kriwet nevertheless pronounced himself "completely satisfied" with the 1984–85 result. Raw steel production had risen 5 per cent to 11.1m tonnes, and consolidated turnover rose 13 per cent to DM 10.4bn. Although the group still has debts of DM 1.5bn, mostly long-term, it is combining 1983–84 and 1984–85 net profits to make over DM 282m to Thyssen AG, the parent, as dividend, placing DM 194m in reserves and carrying DM 21m into this year's accounts.

● The West German Government has given the Saarland state government permission to exercise its option to buy 76 per cent of the struggling Saarland steelmaker, Arbed Saarstahl. The stake will probably be placed with the state-owned Saarländische Investitions-Kreditbank (SIKB). The authorities then want a nearby works, French-owned Dillinger, to take over the management of Saarstahl.

Bonn itself is not keen to become involved in assisting with Saarstahl's debt. It is understood to have encouraged other German steel producers to take stakes in Saarstahl but so far without much success. Neither Saarstahl's creditor banks nor the European Commission have yet agreed to any debt relief measures that would follow the Saarland purchase of Saarstahl.

Hongkong Land continues recovery

BY MICHAEL CASSELL IN LONDON

HONGKONG LAND, the steadily recovering property, hotels and food group, has cancelled a HK$2.5bn ($320.5m) stand-by loan" facility arranged at the start of 1984. The cancellation represents an important step in the group's revival and means that Exchange Square, Land's largest single asset, becomes free of mortgage.

At the time the six-year facility was agreed, in January 1984, Mr David Davies, Hongkong Land chief executive, described it as "rainy day" money to be used only if the group was unable to refinance its short-term bank borrowings, or if interest rates remained at exorbitant levels.

Announcing its cancellation, Mr Davies said the standby facility, which had not been tapped, was entered into when group borrowings were estimated to rise to around HK$16bn in 1985–87. He added: "Our requirements have now been reduced to less than HK$11bn, with a consequent, substantial reduction in the group's need for cash resources."

In the first half of 1985, Hongkong Land pushed up profits attributable to shareholders to HK$193m from HK$175m. In 1984, the group recorded a final net profit of HK$50m.

The group says facilities totalling almost HK$3bn have now been cancelled since October, when it arranged a HK$1.25bn commercial-paper issue.

It also announced yesterday that it was arranging, through BA Asia, a HK$750m, 10-year floating-rate note issue. The two issues, it says, provide new facilities on significantly better terms and without security.

Eulabank profit up 2.1 per cent

By Peter Montagnon in London

THE pre-tax profits of Eulabank, the London-based consortium, increased by 2.1 per cent to £8.9m ($12.7m) in the year to September 30, while total assets slipped 3.2 per cent to £920.3m.

The profit figure comes after setting aside an unspecified amount for provisions, and excludes a net increase of £5.9m in outstanding interest income, according to the bank, which specialises in Latin American lending.

Alfred Massa plans float for next year

By Our Financial Staff

ALFRED MASSA, the West German retailer with sales of about DM 3bn ($1.2bn), plans to go public in spring next year. The company, which runs a chain of hypermarkets and which in recent years has diversified into non-food lines such as cars and insurance, is to float DM 23m of new capital.

The family-owned chain will change its corporate status at the start of 1986 by converting into an "AG" under German corporate law, or a company limited by shares. The flotation in the form of non-voting preference shares will be led by Deutsche Bank and probably go ahead next April or May.

The new shares will be listed in Frankfurt and Düsseldorf. Massa's DM 127m of existing capital with full voting rights will remain in family hands.

Anti-dumping microchip maker falls into red

BY LOUISE KEHOE IN SAN FRANCISCO

MICRON Technology, the Boise, Idaho, microchip maker that filed dumping charges against Japanese manufacturers of 64K dynamic random access memory (Drams) chips, has reported losses of $11.6m for its first fiscal quarter ending November 27, compared with net income of $10.5m in the first quarter of fiscal 1985.

Revenues were down from $37.2m a year ago to only $5m in the latest quarter.

Micron's sales and earnings have been devastated by the depressed semiconductor market and a severe drop in the price of 64K Drams, its principal product.

Prices are now beginning to rise modestly as Japanese producers adjust their prices to the lower value of the dollar against the yen. US microchip makers also claim Japanese competitors have been less aggressive in the US market since Micron and others filed anti-dumping suits.

The US Commerce Department has made a preliminary ruling imposing 9 per cent to 94 per cent dumping duties on Japanese 64K Drams sold in the US.

"Although solid increases in demand and average sales prices will be required before we see a turnround, we approach the second quarter with increased optimism," said Micron's president, Mr Joseph L. Parkinson.

"This is the first time since September 1984 that we have seen increasing sales each successive month during a quarter," Mr Parkinson said. Sales are down, however, from fourth-quarter levels when Micron had net revenues of $6.1m.

AGP launches counter-bid for Providence

By David Housego in Paris

ASSURANCES du Groupe de Paris (AGP), France's ninth-largest insurance group, has made a counter-bid for Providence-Secours in what promises to be a long battle in the French insurance sector.

Details of the bid, made through AGP's holding group Compagie du Midi, and in which Banque Lazard is believed to be involved, were still not available yesterday. The offer comes in the wake of the bid by the AXA group (Mutuelles Unies and Drouot), which is offering FFr 1,100 ($143) a share.

AXA's bid is opposed by Paribas, the state-owned investment bank, which has a 25 per cent stake in Providence. Mr Claude Bebear, chairman of AXA, said yesterday that his group intended to seek quotation again for Drouot shares on the Bourse. Drouot has not been quoted since being taken over by AXA. It reported net profits last year of FFr 245m.

EUROBONDS

Eurodollar yields discourage borrowers

BY MAGGIE URRY IN LONDON

THE EURODOLLAR bond market is now virtually closed to new issues and no deals were launched yesterday. Yields in this market are so far out of line with the New York bond market that issuers are not tempted, while investors are keeping quiet before Christmas.

BHF Bank bond average		
Dec 16		Previous
104.727		104.672
High	1985	Low
105.603		99.840

Some traders noted demand in the secondary market for dollar paper from continental European investors, although it was patchy. Prices were firmer by ⅛ or ¼ point.

A deal was launched for Union Bank of Finland in the D-Mark floating-rate note sector, but met a poor reception because of an excess of similar paper and investor resistance to the maximum coupon put on many issues, in this case 8 per cent.

The DM 250m 10-year issue will pay a coupon of ⅛ per cent above the three-month London inter-bank offered rate (Libor), and issue price is par. Lead manager is Deutsche Bank. Some London houses declined co-management invitations and the bonds were trading at a discount around the total 60 basis point fees.

Fixed rate D-Mark foreign bonds were slightly firmer in quiet trading, with the domestic sector more active.

In the Swiss franc foreign bond market Soditic launched the expected SFr 300m 12-year issue with equity warrants for TNT, a subsidiary of Thomas Nationwide Transport, the Australian group. The yield was indicated at 4¾ per cent.

SBC launched a SFr 50m public issue for Korea Export Import Bank. This matures after eight years and the yield is indicated at 6¼ per cent.

In the secondary market prices were mixed in moderate trading. The People Express 5½ per cent convertible issue had its trading debut in Zurich delayed by a technical hitch. In Geneva it was quoted at 99 compared with the par issue price. Chrysler's SFr 160m 5¾ per cent issue traded as high as par, its issue price.

● Asko, the West German retail group, launched an international equity issue of 60,000 non-voting, bearer preference shares, led by Credit Suisse First Boston. The issue will be priced at the closing level on the Frankfurt Stock Exchange on Wednesday December 18. At yesterday's price of DM 1,213 the issue would raise DM 72.78m.

INTL. COMPANIES & FINANCE

Elin deal delayed by gap in finance

By Patrick Blum in Vienna

EFFORTS by Elin Union, Austrian state-owned electrical group, to buy Felten Guillaume Energietechnik, a West German subsidiary of Philips Kommunikations (itself a subsidiary of Philips, the European electronics group) were delayed for the second time in a week yesterday. The reason was difficulty in raising the finance, the company said.

Elin has been interested in Felten Guillaume for some time but it had to wait for the approval of OIAG, Austria's holding company for the nationalised industries, which is arranging finance for the estimated Sch 750m ($44m), deal. OIAG also has to finance losses at Voest-Alpine, the state-owned steel, engineering, electronics and trading group.

Elin and Philips Kommunikations have made a preliminary agreement for the deal, but Elin lacks the finance to cover the whole purchase. One possibility being examined is for Österreichische Salinen, the Austrian salt monopoly, to take up to 25 per cent holding in Felten.

Under such an agreement, Elin would buy the whole of Felten Guillaume with Salinen and then sell a minority shareholding on the Vienna Stock Exchange.

Elin said yesterday that the OIAG board had asked it to seek an extension of negotiations to allow more time for financing to be arranged. Initially negotiations were to have been concluded by the end of this month.

Japan grants more broking licences

By Yoko Shibata in Tokyo

JAPAN is to grant securities broking licences to a further six foreign-owned institutions. They are E. F. Hutton and Paine Webber of the US; Schroder, Hoare Govett and Cazenove of the UK; and Deutsche Bank, the leading West German bank.

This will bring the total number of foreign-owned securities dealers in Tokyo to 20, compared with 10 at the start of the year.

Foreign securities firms increased their dealings in Japanese shares by more than two fifths in the 12 months to September. Total commissions received represented less than 5 per cent of total Tokyo stock market business, however.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 16.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10⅛ 92	100	102⅜	102⅞	+0⅛	+1¼	9.81
Amex Credit 10⅞ 90	100	103⅝	104⅛	−0⅜	+0½	9.72
Atlant Richfld 10¼ 00	250	99	99½	+0⅛	+1¼	10.33
Australia Com 11 95	200	108½	109	+0¼	+2½	9.53
Australia Com 11¼ 00	100	108¾	109¼	+0¼	+2½	10.03
BP Capital 11⅛ 92	150	105⅞	106⅜	0	+0⅞	9.74
Campbell Soup 10½ 95	100	104⅛	104⅝	+0⅛	+1⅛	9.77
Canada 11½ 90	500	106⅜	106⅞	+0⅛	+1⅜	8.95
Canadian Pac 10¾ 93	100	105	105½	0	+0⅞	9.71
Canadian Pac 12½ 89	75	110	110½	+0⅜	+1¼	11.01
CEPME 10⅜ 91	100	102⅞	103⅜	+0⅜	+1¼	9.28
Chevron U.S.A. 12¼ 89	600	105¼	105¾	0	+0¾	10.40
Citicorp 10 88	200	102	102½	−0¼	+0⅜	8.98
Citicorp 10⅜ 95	200	100⅞	101⅜	−0⅜	+1⅜	10.41
Coca Cola 11¾ 91	100	108	108½	+0⅛	+0⅞	9.81
Denmark Kingdom 11¼ 89	100	105½	106	−0⅛	+1	9.16
Denmark Kingdom 11½ 90	100	107¼	107¾	+0⅛	+1⅜	9.31
Denmark Kingdom 11½ 92	100	107¼	107¾	0	+1½	9.82
E.D.F. 10 95	225	101	101½	+0¼	+1⅞	9.77
E.E.C. 9⅝ 90	350	101	101½	0	+1⅜	9.25
E.E.C. 11⅛ 90	100	106½	107	+0¼	+1⅜	9.07
E.I.B. 12 95	200	112¼	112¾	+0⅛	+2¼	9.87
Eli Lilly 10¼ 92	150	104½	105	+0⅛	+1	9.27
Export Dev Corp 10 90	100	103⅛	103⅝	0	+1½	9.02
Export Dev Corp 12 89	100	108⅞	109⅜	0	+0¾	9.06
Fed Dep Stores 10⅜ 95	100	101⅝	102⅛	0	+1¾	9.79
Ford Motor Cred 10½ 91	150	103⅛	103⅝	—	—	9.71
Ford Motor Cred 11⅜ 90	100	105¼	105¾	0	+1⅝	9.69
Ford Motor Cred 12 95	100	107	107½	0	+0⅞	10.70
Gen Elec Credit 10¼ 00	200	103⅛	103⅝	+0¼	+1	9.79
GMAC 10¼ 89	200	103⅛	103⅝	+0⅛	+1⅛	9.04
GMAC 10¼ 92	250	102	102½	0	+0⅞	9.78
IADB 10½ 95	150	103¾	104¼	+0⅜	+1⅞	9.83
IBM Credit 10⅜ 2000	300	†104¼	104¾	+1⅛	+1¾	9.77
Kellogg Company 10⅞ 90	100	104⅛	104⅝	+0⅛	+1	9.52
Kellogg Company 11¼ 92	100	108	108½	+0¼	+0⅞	9.83
L.T.C.B. 12⅞ 91	100	113⅛	113⅝	−0¼	+1	9.75
Mitsui Trust 11⅜ 90	100	†106⅛	106⅝	0	+1	9.78
Nippon Cred Bk 10⅜ 95	150	103¾	104¼	+0⅜	+2	9.87
Pillsbury Co. 10¾ 93	100	100¼	100¾	0	+1⅛	10.14
Pru Realty secs 12⅛ 95	546	110⅝	111⅛	0	+0¾	10.22
Qantas Airways 10⅜ 95	140	104	104½	+0⅜	+1⅞	9.68
Quebec Hydro 11½ 92	100	108⅝	109⅛	+0⅛	+1⅛	9.68
Queensland Govt 10¼ 95	100	102	102½	+0⅛	+1½	9.86
Ralston Purina 11¾ 95	150	108½	109	+0¼	+1⅛	10.23
Ralston Purina 12¾ 89	100	109⅝	110⅛	+0⅛	+1	9.53
Saskatchewan 10¾ 92	100	105½	106	+0⅛	+1¼	9.47
Saskatchewan 11⅞ 89	100	108⅝	109⅛	+0⅜	+1⅛	9.07
Statoil 10 90	170	103⅛	103⅝	+0½	+1¾	9.05
S Wales Trsy 11¾ 90	150	107¾	108¼	0	+1⅛	9.40
Swed Exp Cred 10 92	100	102⅛	102⅝	0	+1¼	9.47
Swed Exp Cred 12¼ 89XW	100	108⅝	109⅛	+0¼	+1	9.76
Sweden Kingdom 10⅞ 90	200	105⅝	106⅛	+0¼	+1½	9.16
Sweden Kingdom 11½ 89	200	107½	108	0	+1¼	9.10
Sweden Kingdom 11¾ 94	100	108¾	109¼	−0⅛	+0¾	10.17
Tenneco Corp 10¾ 95	150	102¼	102¾	0	+1	10.30
Texaco Capital 10 95	300	†94	95	−2½	−2½	12.76
United Tech Fin 10⅜ 95	100	102⅞	103⅜	+0⅛	+1⅜	10.09
Victorian Rep 11⅝ 92	150	108	108½	+0½	+1⅝	9.90
World Bank 10⅛ 95	300	103⅛	103⅝	+0⅜	+2	9.55
World Bank 12⅞ 94	200	116⅝	117⅛	+0⅛	+1¾	9.86

Average price change On day 0 on week +1¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	*105½	106¼	0	+0⅛	7.07
Austria Republic 7⅜ 94	200	*104¾	105½	+0⅛	+0⅜	6.79
Baxter Travenol 7¼ 94	200	*101⅜	102⅛	0	+0⅛	6.96
Copenhagen 7⅜ 95	150	*102¼	103	+0⅜	+1⅛	6.97
Credit National 8½ 94	200	*106¼	107	−0⅛	0	7.02
Dow Chemical 6¾ 95	300	*99⅜	99⅞	−0⅛	+0½	6.94
E.I.B. 7¼ 94	300	*102½	103	−0⅛	+0½	6.83
Escom 8 92	150	*94¼	95	0	−0⅛	9.15
Ex-Im Bk Korea 7⅜ 90	100	*99¾	100¼	−0¼	−0¼	7.61
Ferrovie Dello Stato 8 91	100	*103⅝	104⅜	0	0	7.05
Finland Republic 7 92	200	*100¾	101½	0	+0¼	6.76
Gould Int Fin 7⅜ 91	100	*102⅞	103⅝	0	+0¾	6.67
Ireland 8⅛ 92	150	*103⅞	104⅝	−0⅛	+0⅛	7.26
Japan Fin Corp 7⅜ 91	100	*103¾	104½	+0⅛	−0⅜	6.70
Mitsubishi Hvy 3½ 89WW	300	*158½	160½	−0¼	+3⅝	−10.71
Mitsubishi Hvy 3½ 89XW	300	*91½	92¼	−0⅛	+0⅛	6.20
Mitsubishi Met 3⅝ 89WW	100	*105	106	0	+0¼	1.70
Mitsubishi Met 3⅝ 89XW	100	*89¼	90	+0¼	+0¼	8.12
Quebec Hydro 7⅛ 95	200	*102½	103	−0¼	+0⅛	6.72
Renfe 7¾ 95	100	*102⅞	103⅝	+0⅛	+0⅛	7.27
Soc Cent Nuclear 7¼ 95	150	*101	101½	+0⅜	0	7.06
Societe Cent Nuclear 8 91	100	*104⅞	105⅝	0	+0¼	6.82
Sth African Tran 7⅜ 92	100	*90⅞	91⅝	+0⅛	−0½	9.40
World Bank 7 95	600	*101⅛	101⅞	+0⅛	+0⅞	6.78

Average price change On day 0 on week +0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap Corp 5⅜ 94	130	†101¼	101½	+0¼	+0¼	5.18
Brit Land Comp 6⅛ 98	75	†104½	104¾	+0⅜	−0⅜	5.60
Council of Europe 6 92	120	†102½	102¾	−0¾	+0¼	5.53
Creditanstalt 5½ 94	100	†99¾	100	0	−0¼	5.52
Deutsche Bk Fin 5⅜ 95	100	†103½	103¾	+0½	+1¾	4.87
E.I.B. 5⅞ 94	120	†101¼	101½	−0¾	−0¾	5.67
Gen Occidentale 4½ 94	80	†107	107¼	+2½	+3⅞	3.56
Glendale Fed S&L 5½ 95	160	†98	98¼	+0¼	0	5.75
Ind Fund Fin 5¾ 94	40	†*100½	100¾	−0½	−0½	5.66
Int-Am Dev Bk 6⅛ 94	120	†102¼	102¾	−0⅛	−0⅜	5.75
N Zealand steel 5¾ 98	70	†101	101¼	+0½	+1	5.61
Oberos Kftwk 5⅜ 95	100	†100	100¼	0	0	5.36
Olivetti Intl 5½ 95	100	†101	101¼	0	0	5.34
Pepsico 5¼ 95	130	†101½	101¾	0	+0½	5.02
Ralston Purina 5⅜ 94	125	†101½	101¾	0	0	5.14
Santos Finance Ltd 6 94	130	†106½	106¾	0	+0¾	5.00
Tokyo Elec Pwr 5½ 93	120	†101¼	101½	0	+0¼	5.26
Tokyo Metropolis 5¼ 94	80	†*103	103¼	+0¼	+2	4.81
World Bk 5¾ 94	150	†102¼	102½	−0½	−0½	5.41

Average price change On day 0 on week +0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Caisse Nat Tels. 8¼ 92	25	98⅛	98⅝	+0¼	+0½	6.55
Gdyr Tr & Rubber 7⅛ 95	25	101¾	102¼	+0⅛	+0⅜	6.82
Mort Bk Denmark 7 92	10	100⅞	101⅜	+0¼	+0½	6.77
New Brunswick 7⅛ 95	18	102¼	102¾	+0⅜	+1⅛	6.75
Swed Exp Cred Zero 90	14	73	73½	+0⅛	+0¼	6.73

Average price change On day +0¼ on week +0⅝

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Aust 12⅞ 90AS	50	91½	92½	−0¼	−0⅝	15.10
Creditanstalt 12½ 90AS	50	96	97	−2	−2¼	13.46
Pepsico Cap. Res. 13 90AS	30	102⅞	103⅛	+0½	+0⅜	12.88
Swed. Export Cred 13 89AS	40	95¼	97¼	−0⅛	0	14.80
Ampi 10¾ 90 C$	60	102⅛	102⅞	0	+0¾	10.04
Canadian Pac 10⅜ 90 C$	75	100⅜	101⅛	0	+0¾	10.18
CIBC 10¼ 90 C$	75	†100⅛	100¾	−2	−3	10.00
Genstar Fin 11⅜ 95 C$	75	103⅝	104¼	−0½	−2	11.05
Montreal 11½ 95 C$	75	105⅝	106⅛	0	+0¼	10.47
Sears Acc. Co 10⅜ 92C$	75	†99¼	99¾	0	+0⅜	10.71
Winnipeg City 10⅜ 90C$	50	103½	104	0	+0⅜	9.94
Chrysler Fin Corp 17 90NS	65	92⅝	93⅛	0	−0⅝	11.16
K.O.P. 16¼ 91 NS	50	92	94	0	+1	16.88
Kredietbank Lux 17 88 NS	70	99½	100½	0	−0⅜	16.96
Bayer Verein 8⅜ 89ECU	60	100⅜	101⅜	−0⅛	+0⅞	7.97
Chrysler Fin Corp 9 92ECU	75	97⅞	98⅝	−0⅜	−2⅞	9.40
Xerox Canada 8½ 90 ECU	40	98¼	99	−0⅛	−0⅜	8.86
Honda Motor WW 3⅝ 90FL	100	108	108½	+1½	+3⅞	2.21
Honda Motor XW 3⅛ 90FL	100	90½	91	+0¼	+1⅜	4.42
Thyssen 7¼ 90 FL	50	103½	104	−0¼	+0⅛	6.20
Wereldhave 7½ 90 FL	75	102	102½	−0⅛	0	6.89
Wessanen 6¾ 90 FL	50	100⅛	100⅝	+0⅛	+0⅜	6.65
Mobil Corp. 11⅛ 90 FF	500	102⅛	102⅝	−0⅛	+1	10.44
Australia Comm 11 92 £	40	98¼	98¾	−0⅛	−0⅞	11.32
E.I.B. 11⅛ 93 £	50	98¾	99¼	+0⅛	−0⅜	11.32
GMAC UK Fin 10½ 90 £	30	97⅛	97⅝	−0⅛	−0⅛	11.28
Imp Chem Inds 11¼ 95 £	75	98⅛	98⅝	−0¼	−0⅜	11.51
Imp Chem Inds 10¾ 92 £	75	96½	97	0	−0⅜	11.46
Mcdonalds 10⅞ 90 £	40	99⅛	99⅝	−0¼	−0¼	11.02
Mitsubishi Fin HK 11 90 £	50	98⅝	99⅛	+0⅛	−0⅛	11.39
NSW Treasury 10⅜ 92 £	50	96	96½	0	−0⅛	11.43
Privatbanken 11⅞ 92 £	70	100	100½	+0⅛	−0¼	11.72
Rank Xerox 11 92 £	40	97	97½	0	−0⅜	11.61
Royal Ind 10¾ 92 £	60	96	96½	0	−0½	11.50
Sterling Drug Cap 10⅞ 90 £	30	98	98½	+0¼	−0⅜	11.07
Tricentrol XW 11 92 £	35	93½	94	+0⅛	−1⅛	12.41
Trusthouse Forte 11⅛ 90 £	50	96⅜	96⅞	+0⅛	−0⅜	11.50
World Bank 11¾ 95 £	100	99½	100	−0⅛	−0½	11.27
C.O.E. 8⅞ 95 LF	600	101½	102½	+3	+3	8.36
Nat Lux Alum 10½ 92 LF	600	102⅝	103⅝	0	+0⅛	9.85

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Abbey National 5 2000 £	0	99⅝	99⅞	10/1	11⅛	11.43
BankAmerica O/S 5⅛ 96	0⅛	99¾	100	30/12	8⅛	8.10
Bankers Trust 5 2000	0	99⅞	100⅛	11/12	8.44	8.44
B.F.C.E. 5¼ 99	0⅛	100⅛	100⅜	13/12	8¾	8.73
B.N.P. 5¼ 95	0	101⅜	101⅝	10/1	8.00	8.06
B.N.P. 5¼ 95 (July)	0¼	100	100¼	22/1	8⅛	8.24
B.N.P. 5¼ 99	0⅛	100⅛	100⅜	22/3	8⅜	8.35
Britannia 5 93	0⅛	99¾	100	8/7	11½	11.57
C.C.F. 5¼ 97	0	99½	99¾	5/4	8.06	8.08
Chase Manhtn 5¼ 2009	0⅛	99⅞	100⅛	9/12	8.44	8.46
Citicorp 5 2035	0	99¼	99½	27/1	8.23	8.30
Credit Lyonnais 5⅛ 96	0⅛	100⅝	100⅞	11/4	8½	8.44
Credit Lyonnais 5 00	0	100⅛	100⅜	10/1	7.94	7.92
E.E.C. 5 99	0	99⅝	99⅞	8/1	7.94	7.96
E.N.E.L. 5 00	0⅛	100	100¼	1/3	8⅜	8.36
Ireland 5¼ 97	0	99⅞	100⅛	28/2	8.44	8.44
Lloyds Bank Perp	0¼	100⅛	100⅜	9/12	8	7.98
Man-Hanover 5 97	0	99⅛	99⅜	22/2	8.19	8.25
Midland Bank Perp 5	0¼	100⅛	100⅜	19/12	8⅛	8.10
Nat West Perp A 5¼ S	0⅛	100	100¼	9/1	8⅛	8.24
Nat West Perp B 5¼ S	0⅛	100⅛	100⅜	10/2	8⅝	8.60
Royal Bk Scotland 5 Perp	0⅛	99¾	100	11/6	8.44	8.45
Roy Bk Scot 5⅛ 2005 £	0	99⅛	99⅜	4/2	11¾	11.84
Societe Generale 5⅛ 97	0	100⅛	100⅜	18/3	8⅛	8.09
United Kingdom 5 92	0	100	100¼	7/7	8.06	8.05

Average price change On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	127⅞	128⅝	−0⅛	4.57
Comcast 7 2000	12/85	23.875	†110	111	0	7.58
Fanuc 3¾ 98	7/84	7032.3	203¼	205	−0⅞	80.64
Fuji Hvy Inds 3 2000	8/85	676	94⅞	95⅞	−0⅛	3.18
Fujitsu 3 99	5/84	1321.9	109½	110½	−1¾	11.30
Kumagai Gumi 3½ 2000	3/85	600	175⅝	177⅝	−0¼	9.30
Marui 3½ 99	7/84	1162	151⅞	152⅞	+1⅛	−8.94
Mitsubishi Bank 2⅝ 00	8/85	1768	99½	100½	−0¾	−2.02
Mitsubishi Elec 2⅝ 00	3/85	422	104⅝	105⅝	−1¼	−2.04
Murata 3½ 2000	7/84	2398	131⅛	132⅛	+0¼	19.72
Nippon Elec 2⅞ 2000	1/85	1295	125¾	126¾	−2⅜	56.14
Nippon Oil Co 3 2000	5/85	923	109¼	110¼	−0¾	−1.85
Oki Elec Ind 3½ 99	10/84	805	105⅛	106⅛	−1⅛	−0.97
Sekisui House 3 99	6/84	612	157⅛	158⅛	−0⅜	8.75
Sumitomo Bank 2⅛ 2000	8/85	2142	97½	98½	0	2.83
Sumitomo Corp 2⅝ 99	5/84	593	139⅞	140⅞	−0⅜	1.86
Taiyo Yuden 3½ 2000	3/85	1078	†111	115	0	−3.16
Takeda Riken 3¾ 2000	10/84	7653	†108½	109½	+0½	5.94
Tokyo Sanyo Elec 3½ 99	12/84	772	101⅜	102⅜	−0⅜	−9.13
Toshiba Ceramics 3 2000	4/85	1734.2	100½	101½	−1⅛	4.40
Nippon Oil Co 2⅝ 92 SF	3/84	1052	†100	100¼	−2½	15.08
Nippon Shinpan Co 2 92 SF	3/84	801	†113	113¼	+0½	12.45
Ascs 5 92 DM	12/83	520	†108½	109½	+0½	16.44
Renown 3⅝ 90 DM	3/84	675	*103½	109½	−0½	−4.40
Sons Realty 6⅛ 92 DM	2/83	338	†*203⅜	205⅝	+1⅛	−4.95

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn. = current coupon. C. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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U.S. $100,000,000

The Kingdom of Denmark

Zero Coupon Notes Due 1990

Shearson Lehman Brothers International | Kleinwort, Benson Limited

Banque Bruxelles Lambert S.A. | Banque Indosuez | Banque Paribas Capital Markets
CIBC Limited | Crédit Lyonnais | Creditanstalt-Bankverein
Genossenschaftliche Zentralbank AG Vienna | Goldman Sachs International Corp.
Grindlay Brandts Limited | Gulf International Bank B.S.C.
E F Hutton & Company (London) Ltd | Capital Markets Group | Istituto Bancario San Paolo Di Torino
Kidder, Peabody International Limited | Lloyds Merchant Bank Limited
McLeod Young Weir International Limited | Merrill Lynch Capital Markets
The Nikko Securities Co., (Europe) Ltd. | PaineWebber International | Postipankki
Smith Barney, Harris Upham & Co. Incorporated | Svenska Handelsbanken Group
Union Bank of Switzerland (Securities) Limited | S.G. Warburg & Co. Ltd.
Westdeutsche Landesbank Girozentrale | Yamaichi International (Europe) Limited

Privatbanken A/S | Copenhagen Handelsbank A/S | Den Danske Bank

December, 1985

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U.S. $175,000,000

The Chase Manhattan Corporation

(Incorporated in the State of Delaware)

Floating Rate Subordinated Notes Due 1997

Shearson Lehman Brothers International

Chase Investment Bank | Morgan Stanley International
Credit Suisse First Boston Limited | Goldman Sachs International Corp.
Merrill Lynch Capital Markets | Salomon Brothers International Limited
Bank of Tokyo International Limited | Bank of Yokohama (Europe) S.A.
Banque Bruxelles Lambert S.A. | Crédit Agricole | Crédit Commercial de France
Crédit Lyonnais | Genossenschaftliche Zentralbank AG Vienna
E F Hutton & Company (London) Ltd | IBJ International Limited
Kidder, Peabody International Limited | LTCB International Limited
Mitsui Finance International Limited | Nippon Credit International (HK) Ltd.
Nomura International Limited | Orion Royal Bank Limited
Banque Paribas Capital Markets | Société Générale
Sumitomo Finance International | Sumitomo Trust International Limited
Svenska Handelsbanken Group | Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited | S. G. Warburg & Co. Ltd.
Westdeutsche Landesbank Girozentrale

November, 1985

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Can. $50,000,000

American Express Overseas Finance Company N.V.

10.25% Guaranteed Notes Due 1990

Unconditionally Guaranteed by

American Express Overseas Credit Corporation Limited

Shearson Lehman Brothers International

CIBC Limited | Orion Royal Bank Limited | Société Générale

Bank of Tokyo International Limited | Banque Bruxelles Lambert S.A.
Banque Nationale de Paris | Barclays Merchant Bank Limited | Commerzbank Aktiengesellschaft
Crédit Agricole | Crédit Lyonnais | Dominion Securities Pitfield Limited
First Interstate Capital Markets Limited | Lloyds Merchant Bank Limited
McLeod Young Weir International Limited | The Nikko Securities Co., (Europe) Ltd.
Sparekassen SDS | Sumitomo Trust International Limited
Toronto Dominion International Limited | Wood Gundy Inc.

November, 1985

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U.S. $125,000,000

Caisse Nationale de Crédit Agricole

10% Notes Due 1990

Shearson Lehman Brothers International

Crédit Agricole | Banque Nationale de Paris
Credit Suisse First Boston Limited | Goldman Sachs International Corp.

Arab Banking Corporation (ABC) | BankAmerica Capital Markets Group
Bank of Tokyo International Limited | Bankers Trust International Limited
Banque Bruxelles Lambert S.A. | Banque Indosuez | Banque Paribas Capital Markets
Chase Manhattan Capital Markets Group | Crédit Commercial de France
Daiwa Europe Limited | DG BANK Deutsche Genossenshaftsbank | Dresdner Bank Aktiengesellschaft
Genossenschaftliche Zentralbank AG Vienna | Kidder, Peabody International Limited
London & Continental Bankers Limited | Merrill Lynch Capital Markets
Morgan Guaranty Ltd | Morgan Stanley International | Nomura International Limited
Rabobank Nederland | Sumitomo Trust International Limited
Swiss Bank Corporation International Limited

October, 1985

INTL. COMPANIES & FINANCE

Malaysian brokers forgo credit line

BY WONG SULONG IN KUALA LUMPUR

A STANDBY credit line agreed by major Malaysian banks two weeks ago to heup local stockbrokers, in financial trouble because of the Pan-Electric crisis in Singapore, has been reduced to 50m ringgit ($20.6m) from the original 150m ringgit, and may not be taken up at all, according to bankers.

The credit line was agreed by six Malaysian banks following a S$180m (US$84.8m) lifeboat loan extended by Singapore banks to the island republic's brokers.

A Malaysian banker said yesterday it now appeared that Malaysian stockbrokers were not as badly affected by the Pan-Electric crisis as was originally feared.

He pointed out that liquidity problems among brokers had eased considerably following the stock market recovery during the past week and the directive by Bank Negara, the central bank, that banks should not demand new margins from clients or withdraw existing credit lines because of the fall in share prices.

The banker also said a major problem in activating the 50m ringgit credit line was the refusal by many brokers personally to guarantee the loan.

It is understood that the Kuala Lumpur Stock Exchange (KLSE) will inform the banks that the credit line is no longer needed, and individual broking firms will make their own arrangements with the banks if they face liquidity problems.

Meanwhile, the KLSE has elected Mr Nik Mohamed Din as its new chairman, replacing the controversial Mr Abdul Razak Sheikh Mahmood, at its annual general meeting over the weekend.

During his two years tenure, Mr Razak came under strong criticism from stockbrokers for an erosion of the autonomy of the KLSE, arising from widespread government powers over the exchange, including the admission of new members, and the decision to allow merchant banks and foreign brokers to take majority stakes in local broking firms.

Mr Nik Mohamed Din was a lawyer before he became a partner in Osk and Partners, the securities firm. He is also a director of MBF Holdings, the actively traded finance and property group. Recently, he was involved with his former law partner, Mr Mah King Hock, in acquiring a majority stake of Duff Development, a listing plantation subsidiary of Kupala Lumpur Kepong.

Shares of Malaysian Airline System (MAS) were given a buoyant reception when they were traded for the first time on the Kuala Lumpur stock exchange yesterday, closing at 2.45 ringgit for a 65-cent gain over the public offer price, writes Wong Sulong in Kuala Lumpur. It was the most active stock in an easier market, with 2.43m shares traded. The price fluctuated widely, with the highest at 3.50 ringgit and the lowest at 1.95 ringgit. MAS recently made a public offer of 105m shares, or 30 per cent of its enlarged capital, as part of a privatisation programme. Trading had been postponed for a week because of market uncertainty following the Pan-Electric crisis. The airline has forecast pre tax profits of 106m ringgit ($43.6m) for the year to March 1986. It earned 76.4m ringgit for the first half, and Datuk Aziz Rahman, its managing director, said there was a good chance that results for the full year could equal the record 131m ringgit achieved in 1984-85.

Keppel Shipyard to cut repair capacity by 45%

BY CHRIS SHERWELL IN SINGAPORE

KEPPEL SHIPYARD, Singapore's troubled state-owned marine group, is to slash its ship repairing capacity by 45 per cent through a shutdown in operations at its main yard and a shift to facilities at Tuas, a remote location on the west of the island.

Keppel said yesterday that the plan was part of an independent strategy which the company was pursuing following its rejection of a recommendation by McKinsey, the US consultants, that Keppel should merge with Sembawang Shipyard, another government-controlled ship repairer.

McKinsey was called in earlier this year because Singapore's ship repair industry, previously one of the island state's main engines of growth, has suffered from a decline in the world tanker business and general weakness in international trade. Instead of a merger, Keppel said it would aim to cut costs

The company says the effect of the change will be to cut Keppel's ship repair capacity by at least 45 per cent and that of the whole industry by 20 per cent.

Strong overseas sales lift Fuji Photo Film results

BY YOKO SHIBATA IN TOKYO

FUJI PHOTO FILM, which holds 70 per cent of the Japanese market for photographic film, lifted consolidated net profits by 17.4 per cent to Y66.12bn ($326.5m) in the year to October 20.

The performance was attributed to strong overseas sales of colour film, helped by an advertising campaign following the Los Angeles Olympics. An easing in downward pressure on video cassette prices and low silver prices provided further impetus.

Profits before tax rose 24.7 per cent to Y143bn, on turnover ahead by 12.3 per cent to Y748.4bn. Domestic sales rose 5.2 per cent while overseas sales, up 19.9 per cent, accounted for 35 per cent

For the current year, net profits are forecast to reach Y67bn on sales of Y760bn.

● Konishiroku, Japan's second largest maker of photo films and photosensitive papers, lifted pre-tax profits by 20.3 per cent to Y10.08bn in the half-year to October 31, and net profits by 14.7 per cent to Y4.6bn. Sales were Y159.16bn, up 23 per cent.

Sharp rise in earnings for News Corporation

BY OUR SYDNEY AND FINANCIAL STAFF

NEWS CORPORATION, Mr Rupert Murdoch's master company, yesterday reported a 145 per cent surge in net profits to A$35.29m (US$24.19m) for the three months to September.

But an A$3.79m extraordinary loss left the attributable result 36.9 per cent below the A$49.92m achieved in the same quarter of last year, a period when substantial gains were credited below the line.

The company said its results reflected higher earnings from UK, US and Australian operations as well as foreign exchange gains. It reported quarterly results to meet US Securities and Exchange Commission rules for an offer document in connection with its purchase of six US television stations from Metromedia.

Turnover, excluding associates, reached A$734m against A$537m.

● Amatil, the Australian diversified consumer products group, achieved a 20.2 per cent increase in net profits to A$64.2m for the year to October.

The annual dividend is being lifted from 22 cents to 25 cents a share, on earnings per share of 67.9 cents against 56.5 cents.

Apart from food and tobacco interests, Amatil is the largest Coca Cola franchisee in Australia.

Interest charges rose from A$22.2m to A$30.6m, while tax was marginally higher at A$41m.

● Australia is to merge its six state stock markets into a single Australian Stock Exchange from April 1987. The move is expected to improve efficiency and help cut investment costs.

TECHNOLOGY

EDITED BY ALAN CANE

Supercomputers come out of the laboratory

Roy Garner in Japan looks at moves to use mainframes across a broader range of applications

"SUPERCOMPUTERS," extremely powerful mainframes designed to exploit the most advanced computational techniques available and tuned to specific tasks, have been tools for the scientist working in such highly specialised fields as weather forecasting and the simulation of aircraft performance characteristics.

Now there are signs that in Japan a broader spectrum of customers is starting to take an interest in the power of these giant machines.

Japanese supercomputer manufacturers — Fujitsu, Hitachi and NEC among others — are beginning to emphasise their machines at the low end of the performance range.

The aim is both to expand the potential market for supercomputers in Japan, currently estimated at 100 machines by 1990, and to bridge the psychological gap between buying conventional mainframes and their souped-up relatives.

Supercomputers have become of considerable interest as a strategic "enabling" tool for much of today's advanced research and development.

The US already has some 77 supercomputer installations; earlier thus year top British scientists warned that unless the UK brought its supercomputing up to scratch, its position in world scientific research was at risk.

Fujitsu is to pursue close links between its supercomputer and general purpose mainframe development, with custom-building capabilities and improved utilisation of Fortran, the principle scientific programming language, as the main features of new supercomputer designs.

Mr Toshio Hiraguri, general manager of Fujitsu's computer systems group, claims that a rapid increase in installations has been evident over the past two years, reflecting a strong growth in interest among users in industry and banking. There are 22 supercomputers being used in Japan, and 12 of these are in industrial applications, Fujitsu estimates.

Mr Hiraguri said: "We want a very tight connection between general-purpose and supercomputers," adding that enhancing scientific programs using Fortran "is a very important target for Fujitsu."

The company will continue to concentrate on parallel processing methods in its compiler vectorisation program and Mr Hiraguri said there would be no collaborative approach with foreign companies in its compiler development.

He said that "studies by Fujitsu in relation to supercomputer design differed considerably from Japan's fifth-generation work, but the mechanism for achieving parallel processing should have some important relation in the future.

A switch in Fujitsu's supercomputer sales tactics first became evident with the launch in April of a low-priced 140 MFLOPS (million floating operations per second) unit, the VP-50, a scaled-down version of the 250 MFLOPS VP-100 model.

It simultaneously put on the market a new top-end model, the VP-400, which offers an operating speed of 1.14bn operations, double that of the preceding VP-200.

The VP-50 is claimed to be the lowest-priced full-fledged supercomputer of its class and is designed to be used in much the same way as a conventional mainframe unit.

It has already received eight orders for the VP-50 from private companies which include Fuji Electric and Ishikawajima-Harima Heavy Industries.

The first signs that efforts to popularise the supercomputer were paying off came in May when two of Japan's leading car manufacturers announced they would buy supercomputers. Toyota ordered a VP-200, mainly for car body structural analysis, and Nissan settled for the XMP-2 of Cray Research of the US, which it says will handle complex computations in future aerospace development.

The purchases marked two firsts in the supercomputer business—the first sale of a supercomputer to a private Japanese company and the first time a Japanese automaker had bought a supercomputer from a US company.

Roger Taylor

Cray supercomputer at London University. Such mainframes are now being promoted for more mundane tasks

SUPERCOMPUTER COMPARISONS

Models	Fujitsui VP200	VP400	Hitachi S810-20	NEC SX-1	SX-2	Cray XMP48	2	CDC 205
Max perf.	570	1140	630	570	1300	210x4	243x4?	400
Main storage capacity	256	256	256	256	256	64	2000	32

Performance rated in million floating operations a second
Storage capacity rated in megabytes

Source: Fujitsu

Philips displays fibre-based data network

PHILIPS RESEARCH has revealed details of a demonstration, optical fibre-based local telecoms network at the Geldrop Project Centre near Eindhoven, Holland.

The project has been named Philan (Philips integrated local area network) but the company stresses it is being used for study and is not yet a product prototype.

However, it foresees a need for in-house telecoms networks of large bandwidth (high information carrying capacity) to provide fast data transfer and image, as well as speech, transmission.

Information is transmitted digitally round the ring as "on-off" pulses of light representing data bits. To allow several channels of information to be carried at once, time division multiplexing is used in which each channel is allocated a repetitive time "slot" only a few millionths of a second long, but of precise length determined by the data rate required — short for speech, long for image data.

On the ring of optical fibre, groups of users have sub-rings which feed into the main, enabling each user to send and receive information from any other.

Each terminal, computer or other machine connected to the ring keeps data for transmission in buffer store, to be fed into the ring in appropriate time slots. The ring data rate is 20m bits per second.

Each user device also has a pulse regenerator on board acting on all the signals going round the ring so that a good signal strength is always guaranteed regardless of the number of stations or the distances between them.

Special plugs and sockets have been designed for connecting to the ring. These have an input and an output link with the two fibres terminated within 2.5mm diameter concentric metal tubes. A guide mechanism locates the tubes of plug and socket opposite to each other.

Behind each socket is an optical relay which ensures the ring remains complete when nothing is plugged in. No detail has been released of this device, but the necessary accuracy for the fibre connection is maintained without the use of precision methods and with only two adjustments.

To limit the effect of a fault somewhere in the ring, the fibre has "meanders" or sub-rings each accommodating say, six or seven users, connected by one of the plugs. If a fault occurs, the meander containing it is simply removed for repair, the relay closes the gap and the rest of the users carry on.

GEOFFREY CHARLISH

Hydraulic firefighter for oil rigs

A SERIES of three firefighting pumps with relatively few moving parts is to feature in the Tern oil platform in the North Sea, operated by Shell Esso.

The pumps, worth about £1m, produced by Weir Pumps of Glasgow, are driven hydraulically. Each incorporates a submersible pump which raises water from the sea. It is supplied with hydraulic power by a second pump, driven by a Diesel engine, on board the platform.

Weir says using hyraulics for the submerged device reduces the need for underwater electrical components which are a headache for maintenance staff.

The submersible pumps have only three moving parts and can tolterate a certain amount of contamination by sea water of the hydraulic fluid. As a result, says Weir, operation should be fairly free from problems.

South Bank Technopark aims to revitalise inner city

BRITAIN'S newest science park is, unlike most such places, committed to breathing new life into run-down inner-city areas.

The South Bank Technopark, backed by £4.5m from Prudential Assurance and located in a depressed part of south London, houses 19 small, technology-oriented companies, several of which have strong links with the neighbouring South Bank Polytechnic.

The Prudential put money in the venture, said Mr Michael Mallinson, its joint chief surveyor, partly because it saw the park as a good investment and to aid London's industrial regeneration.

About half Britain's 45 universities and some polytechnics have set up science parks or innovation centres. Most of them are either in suburban or rural locations, reflecting the desire of many new, technology-based concerns to be away from city centres.

Strong backing for the park—50,000 sq ft of office and laboratory space with room for about 100 companies—also came from South Bank Polytechnic, which has 800 staff and 11,000 students, many of them involved in science and technology.

Dr John Beishon, polytechnic director, said he hoped 10 per cent of the companies in the building would have links with the academic institution. For instance, companies could organise joint research ventures with people at the polytechnic or hire academics to work as consultants on specific technical problems.

Tenants in the park will not have conventional leases but instead will pay a monthly rent. This is to enable young companies with uncertain futures to take accommodation with as few formalities as possible.

One of the park's aims is to encourage a flow of ideas, not only between companies and people at the polytechnic, but between the companies themselves.

For instance, two of the tenants, Photosoft, which specialises in software for business administration, and Bromcom (which makes microcomputers) are discussing a collaborative venture.

Photosoft's programs run on machines made by Gould, Hewlett-Packard and Tandem. Bromcom is exploring the idea of adapting the software to run on its SuperStar 16 machines, which are mainly for business and research applications.

Reaction Engineering, another company on the park, was set up by Mr Ron Mathis, who left South Bank Polytechnic earlier this year after studying engineering design. Reaction Engineering makes instruments for racing cars, for instance to test suspension or wheel alignment.

Envin, a further tenant, was formed a few months ago to investigate commercial applications for research in holography and fibre optics. Among its staff of 12, the company has people from a wide range of backgrounds—engineering, product design, graphics, marketing, the film industry and accountancy.

Mr Andrew Laczynski, creative director, said that until now the company had concentrated on customised products for individual clients. For instance, it had provided holographic advertising displays for the Midland Bank and lit a chapel in Wellington College, Berkshire, with 2,800 light sources from optical cables.

The company, which has also provide illuminated costumes for performers at the Royal Opera House, intends entering the mass-produced display market. Mr Laczynski said it was working on products for the advertising industry and for companies involved in cars and building products.

Structural engineering is also represented at the park. Roughton and Fenton is working on a new form of lightweight steel beam which the structural engineering department at South Bank Polytechnic is testing. The company is also investigating applications of lightweight, tent-like structures for buildings. It is participating in this work with Springboard Design, a construction company in Bristol.

Mr Jeffe Jeffers, the park's project director, said the centre would try to focus on two key areas of technology, medical products and telecommunications.

In the former, it will attempt to provide a route to commercialisation for products in medical electronics developed by staff at London's teaching hospitals. The Greater London Enterprise Board and the British Technology Group are to help set up a development centre for such technologies at the park.

In telecommunications, Silicon Arrays, a company based at the park, will play a part. Silicon Arrays was started five years ago by Mr Peter Krebs, an electronics engineer, from his home at Amingdon, near Oxford.

It acts as a design consultancy for enterprises wishing to make electronic products, particularly in telecommunications. For instance, the company offers services in computer-aided design for production of integrated circuits.

The company decided to move to the technopark to become nearer to London-based electronics concerns. Mr Krebs wants Silicon Arrays to become part of a network of companies feeding off each other's ideas to make new kinds of electronic hardware.

PETER MARSH

Board tester

ENGINEERS who turn out printed circuit boards may be helped by testing equipment made by Factron-Schlumberger, based in Wimbourne, Dorset.

The test area management system links computerised hardware designed to monitor the quality of boards made on a production line. The system incorporates software that runs automated tests on completed boards and channels information about test results to factory managers.

The company says engineers should quickly be able to spot the cause of any problems in the manufacturing processes and final suitable solutions.

Legal Notices

IN THE HIGH COURT OF JUSTICE
(ENGLAND) Chancery Division

No. 006262 of 1985
In the Matter of
CENTAUR INTERNATIONAL INSURANCE COMPANY LIMITED
and No. 006261 of 1985
In the Matter of
THE CONCORD REINSURANCE COMPANY LIMITED
and No. 006260 of 1985
In the Matter of
MARBARCH INSURANCE COMPANY LIMITED
and No. 006263 of 1985
and
In the Matter of
SHASTA REINSURANCE COMPANY LIMITED
and In the Matter of
THE COMPANIES ACT, 1985
and

in the Supreme Court of Bermuda

1985: No. 336
In the Matter of
CENTAUR INTERNATIONAL INSURANCE COMPANY LIMITED
and 1985: No. 334
In the Matter of
THE CONCORD REINSURANCE COMPANY LIMITED
and 1985: No. 335
In the Matter of
MARBARCH INSURANCE COMPANY LIMITED
and 1985: No. 333
In the Matter of
SHASTA REINSURANCE COMPANY LIMITED
and In the Matter of
THE COMPANIES ACT, 1981

At Meetings of Scheme Creditors held in London on 4th December 1985, a Scheme of Arrangement ("the Scheme") between the above named companies and their respective Scheme Creditors was approved by the required statutory majorities as to number and value.

The Scheme is subject to the sanction of the Courts in England and Bermuda. The Scheme Companies will now petition those Courts for such sanction. It is hoped that the hearings will take place on 20th January 1986 in England and on 31st January 1986 in Bermuda. If the Scheme is sanctioned by both Courts, it is hoped that it will become operative on or immediately after the latter date.

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Solicitors for the "London Brokers ACC Liasion Committee."

Christmas Gifts

UK COMPANY NEWS

Guinness Peat adds loan notes in raised bid

BY DAVID LASCELLES, BANKING CORRESPONDENT

Guinnes Peat Group yesterday sweetened its bid for Britannia Arrow, the financial services group by offering shareholders loan notes in addition to the package of stock and cash it put forward at the end of October.

The new terms in effect add 10p per share to the original offer, and value Britannia at £281m, up from £212m, according to Guinness Peat, which also announced a 67 per cent increase in pre-tax profits to £17.6m.

Britannia immediately rejected the deal, saying it was "wholly inadequate and unacceptable, and is still an attempt to buy Britannia on the cheap."

The statement went on: "The *new terms are barely better* than those already rejected by holders of over 99 per cent of Britannia's shares. The board and its advisers strongly advise shareholders to continue to reject the inadequate offer."

Mr Michael Newman, Britannia' chief executive, said his soundings suggested that shareholders who had turned down the first offer would also reject the second. There was no comment yesterday from Mr Robert Maxwell, the publisher of the Mirror Group Newspapers, who owns a little more than five per cent of Britannia.

Guinness Peat said that its increased offer was final and would lapse on January 3. It reserved the right to change it if a rival bid emerged.

The improved offer consists of 80p in 11½ per cent Guinness *Peat unsecured loan notes in* addition to the 15-for-8 share offer. This values each Britannia share at 150.6p, based on Guinness Peat shares at 75p.

Britannia's shareholders will also get a net dividend of 3p. The cash alternative has been raised from 130p to 137p, plus the 3p dividend, making a total of 140p.

Guinness Peat said the offer was equivalent to 16.3 times Britannia's forecast pre-tax earnings excluding extraordinary items of £13.5m.

The increased cash alternative will be financed partly from Guinness Peat's own resources and partly through an enlargement of the underwriting arrangement already agreed with its merchant bankers, Morgan Grenfell.

Britannia's share price eased *4p to close at 143p as the view* gained ground that Guinness Peat might secure Britannia with its new offer. However, Britannia executives said they were still talking to potential white knights. Guinness Peat shed 1p to 75p.

Guinness brought forward the announcement of its results to reinforce its bid yesterday. These showed that earnings per share for the year ending September 30 1985 were 5.9p, up 36 per cent. The board is recommending a final dividend of 1.1p net, also up 36 per cent.

A breakdown of the results showed increased contributions from the group's two main

Profits from insurance broking were £8.1m, up from £6.1m last year. Investment banking, which includes the Guinness Mahon accepting house, earned *£9.6m, compared with £7m. The* results also included £2.6m from Guinness Peat's 28 per cent stake in Britannia Arrow.

However, Guinness Peat Aviation, the group's part-owned aircraft leasing company, suffiered a dip in profits to £2.9m from £3m.

The main reason was its earnings, in dollars, were reduced on conversion into sterling. In dollar terms, profits were ahead.

● Lord Kissin, the largest shareholder in Guinness Peat, last night denied that Guinness Peat had arranged buyers for the 1.75m shares he sold last week to Mr Maxwell. In a statement, he said he had to sell the shares for personal reasons, and since Mr Alastair Morton, the chief executive, had made no proposition, he sold them elsewhere. "I did not want to prejudice the Britannia offer," he said.

Thames to outline listing plan this week

By Raymond Snoddy

PLANS FOR a public flotation of around 40 per cent of the shares in Thames Television, the largest ITV company, are expected to be formally announced later this week.

A new share structure for the company has been worked out in the wake of the unsuccessful takeover bid by Carlton Communications earlier this year.

The plan will be considered by the Independent Broadcasting Authority (IBA) at its meeting tomorrow, but has already been accepted in principle by Lord Thomson, the IBA chairman and Mr John Whitney, its director general.

BET and Thorn EMI, the two Thames shareholders, are to retain a majority stake in the company at least until after the next franchise round in 1989.

The two, which at present hold all the voting shares through their subsidiaries A-R Television and Thames Television Holdings, will dilute their stake to 50-55 per cent. This stake, it is believed, will be shared equally between the two companies.

At one stage after the Carlton bid it was being suggested that there would be a private placing of shares to "acceptable" British companies.

But the IBA has long made it clear it would like to see Thames shares traded directly on the market.

Mr Richard Dunn, Thames managing director, refused to comment last night.

● A-R Television, the BET *subsidiary which* has a 47.8 per cent stake in hames Television, yesterday reported a pre-tax profit of £85,236 for the six months to September 30, 1985, against £379,943 loss. This includes a loss of£1.41m as its share of Thames, implying a deficit of £2.95m for Thames in the period. Thames' profits traditionally come in the second half of the year.

Better margins lift AE 31%

DESPITE REDUNDANCY and related costs of £3m, the AE group which make high techno-*logy engineering* components has lifted its pre-tax profit by 30.6 per cent in the year ended September 30 1985, from £17.3m to £22.6m.

Trading margin rose from 6.5 per cent to 8.1 per cent, and the return on capital employed was up from 12.6 per cent to 15.4 per cent.

The directors see the group continuing to increase its market share in the core business, and are expecting further progress in the current year.

Year end net *borrowings have* risen from £44.5m to £52.3m, representing 36.5 per cent (31.3 per cent) of shareholders' funds. This reflects continued high capital expenditure and the cash purchase of IHG Gleitlager.

In the year sales came out at £383.1m, compared with £398.4m, and included exports ahead £13m to £104.7m. Trading profit was £31m (£25.9m) after depreciation £10.7*m and redundancy* and related costs in respect of continuing operations £3m (£1.7m). Net interest payable was held at £8.4m (£8.6m).

Redundancy and related costs reflect continuing restructuring both in the UK and overseas.

Tax takes £6.7m (£3.7m) and minorities £300,000 (£400,000) to leave earnings per share of 16.4p (14.2p). The final dividend is 3p for a net total of 5p, compared with 4.25p.

There are extraordinary charges of £1.9m (£5.2m). These comprised £2.1m (£5.5m) provision for losses on sale or closure of businesses, against provision investment £200,000 (costs associated with abortive GKN bid £200,000), less net credit £400,000.

See Lex

Brit Sugar profits fall by 13%

British Sugar, the wholly-owned beet-sugar making subsidiary of S & W Berisford, reported pre-tax profits down by 13 per cent on turnover up by 3.3 per cent in the year to September 29 1985. Directors blame the European Commission's decision not to increase sugar and beet prices and allow the company to increase revenue to cover rising costs.

They add *that the company* was hit by a depressed animal feed market and unfavourable oil prices caused by the weakness of the pound.

Sales rose from £617.2m to £637.7m with pre-tax profits down by £8.1m to £53.6m.

The tax charge was £7.1m, against £8.3m last time when there was an extraordinary debit of £100,000. With dividend payments taking £31.5m (£31.8m), the retained profit was £15m compared *with £21.7m last time.*

Sugar production in 1984 85 again achieved the full A and B EEC quotas in the UK.

See Lex

Carlton lifts dividend as profits soar

SHAREHOLDERS IN the television and photographic group **Carlton Communications** are par*ticipating in the rapid expansion* shown by the group in the year ended September 30 1985. From earnings almost doubled to 30.6p, they are having their dividend increased from 4.5p to 6p net, with a final of 4.05p.

Turnover in the year shot up from £21.57m to £38.14m, while the pre-tax profit showed an even larger percentage increase in rising from £5.54m to £12m. The shares rose 25p to close at 790p yesterday.

The directors say that the company's position as "the largest television facilities operation in Europe" has been complemented by the products division, which is now "a major force" in both the broadcast and non-broadcast television markets.

It was an excellent year for the photographic side with the opening of Europe's "largest photographic studios" in Ealing and the completion of 42,000 sq ft complex for Carlton-Fox in North London.

As to the current year, the directors say they are looking forward with great confidence as the benefits of continuing high level of investment in research and development on innovative products and services has an increasing impact on the television industry.

At the year-end Carlton had net cash and quoted investments of £14m.

The pre-tax profit was split as to UK £8.07m (£5.43m), Europe £1.2m (£282,000), North America and the rest of the world £2.74m (£6,000). Tax takes £3.99m (£2.02m); last year there were minorities of £12,000 and extraordinary cerdits of £272,000.

A new generation of broadcast VTRs tailored for the production of special effects work has been introduced, more facilities are being provided for the new independent production companies, particularly those connected with Channel 4, and the contract for shooting and editing children's ITV for Central TV has been extended.

● comment

Carlton Comunications' shares bobbed up to over 800p before settling back to 790p, up 25p yesterday, on more than doubled profits. The inclusion of Abekas in the US has clearly had a significant impact accounting for virtually all of the profit from "the US and the rest of the world," but that still left the underlying growth rate at 70 per cent. The heart of the business is television which accounts for 70 per cent of *profits against just over 50 per* cent the previous year and, following the sale of publishing, should be up to 90 per cent this year. Its production activities encompass commercials, pop videos and programe production but what it lacks—and would dearly love—is a contractor. The IBA slammed the door on an agreed takeover of Thames but Carlton is confident it is getting somewhere in its talks with the IBA even it cannot get *full control of a station.* Carlton has £24m in cash, some highly rated paper (historic p/e of 26) and burning ambition and it is hard to imagine that it will not play a material role in programming before long. Even without acquisitions, profits should reach £16m this year.

Siebe's rapid growth goes on in first half

BOOSTED by a two month contribution from the newly-acquired CompAir, Siebe saw its rapid growth continue in the six months to the end of September 1985. On turnover up by 33 per cent pre-tax profits for the Berkshire-based safety products and engineering group were ahead by 58 per cent.

From earnings per share of 22.4p (17.8p), the interim dividend is raised from 3.63p to 4.08p on capital increased by the recent one-for-one rights issue. Last year there was a total payment of 11.8p, from taxable profits of £17.13m.

Turnover for group companies in the period improved from £102.41m to £135.95m, with pre-tax profits of £11.02m (£6.97m).

The figures included turnover of £31m and £1.01m of profits *relating to CompAir* for the period from July 29. Without that the original group showed a 44 per cent increase in pre-tax profits on turnover ahead by 2.5 per cent.

Siebe paid Imperial Continental Gas Association £78m for CompAir, partly financed by a £75m rights issue which doubled its issued capital.

Trading profit of group companies came out at £10.98m (£6.93m) with a further £40,000 (£38,000) share of related companies' profits. The tax charge was £4.58m, of which the UK accounted for £938,000 with the rest overseas, against £3.06m, UK, £513,000. Minorities took £853,000 (£613,000).

● comment

Siebe's figures include CompAir for only two months of the period and one of those was largely a holiday period, so the fact that this new acquisition has contributed more than £1m suggests that it is going to have a significant impact on the full-year figure. Strenuous efforts are being made to turn it into a major profits contributor, and these will bring rationalisation and reorganisation costs: these, however, will fall below the line, while the benefits will fall above it. Meanwhile the rest of the group continues to show strong all-round improvement. The international companies dominate in providing the impetus for growth, North America producing a particularly strong performance, bringing a significant profits improvement in spite of the adverse swing in exchange rates. Gearing remains high at about 62 per cent, but the group nevertheless seems likely to turn in at least £28m for the year, putting the shares, up 25p at 667p, on an undemanding prospective p/e ratio of 15.

Steel side bolsters Arthur Lee's recovery

THE RECOVERY at Arthur Lee and Sons has continued with the companies involved in the manufacture of steel products the major factor.

Profits for the opening six months were higher than those for the previous full year and with a further improvement during the second half the group was able to lift its 1984-85 pre-tax figures by £1.37m to £2.9m.

A final dividend of 1.5p (0.9p) raises the net total by 0.9p to 2.1p per 12½p share.

Group chairman Mr Peter Lee tells shareholders that although there was hesitation in some of Lee's markets at the start of the new year the order books have since grown.

For the past year (to September 30 1985) the Sheffield-based group with interests in the production and distribution of steel bars, strip, wire and wire rope, raised its turnover from £64.74m to £76.61m.

Earnings emerged at 7.4p, up from 3.18p.

Mr Lee says the results repre*sented an additional step in the* group's recovery. He adds that further improvement would have been reported had it not been necessary to reduce the value of stocks of certain products in line with market trends at the end of the year.

● comment

Arthur Lee is one of a number of small, private sector steel producers that have survived the shakeout of the past few years and now, leaner and fitter, are gingerly taking on opportunities for expansion and diversification. Lee's first moves into the manufacture of plastic components have been remarkably trouble-*free so far, and the group is look*-ing for more acquisitions while also investing in the growth of its existing companies. Lee is also cautiously enthusiastic about steel stockholding, in which it has been more successful than most. But the core remains in bright bar and stainless strip where growth prospects are not good. The dramatic recovery of 1984 and early '85 was halted solely due to the decline in prices and the consequent need to devalue stocks. Lee believes it can still squeeze better performance from its core businesses, which is a good thing because the overall return on capital employed is only *about 12 per cent.* But the shares, down 1p at 47½p, only 6.3 times earnings, will probably not do much more until there is greater stability in the steel industry or Lee's dependence on it is significantly reduced.

Habitat/BHS

Storehouse is the name of the new holding company formed to carry out the £1.52bn merger of **British Home Stores** and **Habitat Mothercare** announced *last month, the companies said* yesterday.

Storehouse is offering one of its own shares for each BHS share and 138 of its own shares for every 100 Mothercare. First closing date on the offer is January 6.

Rothschild cuts Tootal stake

J. Rothschild Holdings, the investment company run by Mr Jacob Rothschild, has reduced its stake in Tootal, the textile group, from 9.1 to 7.6 per cent.

The Rothschild share sale was announced yesterday, ten days after Entrad, the Australian group which made an unsuccessful takeover bid for Tootal last year, sold its entire holding.

Rothschild's intervention in the bid battle for Tootal last April was blamed by Entrad for the failure of its ten-week takeover campaign. Rothschild bought an 8.3 per cent stake during the bid and made further small purchases thereafter.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
AE	3	Mar. 3	2.5	5	4.25
Belhaven ....int.	0.37	Jan. 31	0.35	—	0.75
Brown & Tawse ....int.	2.2	Feb. 18	2	—	6.5
Carlton Comm.	4.05	Mar. 10	3.04	6	4.5*
C'ntin'ous Stationery int.	0.45	April 8	0.45	—	1.75
William Cook ....int.	1.75	—	1.1	—	2.75
Craton Lodge	1.35‡	—	—	1.85	—
Guinness Peat	1.1	—	0.8	1.9	1.4
Halma ....int.	0.65	Feb. 10	0.55*	—	1.42*
Arthur Lee	1.5	—	0.9	2.1	1.2
Midsummer Inns†‡	2.5	—	1	2.5	1¶
Nash Industries	0.5	Feb. 27	—	0.5	2.5
Parkfield‡ ....int.	1.2	Feb. 14	0.8	—	2.4
Peel Holdings ....int.	2.75†	April 7	2.5	—	8
Siebe ....int.	4.08†	April 1	3.63	—	11.8
Thermal Scientific ...int.	1.5†‡	—	1	—	3
Utd. Scientific	3.5	April 7	3.5	5.7	5.5

Dividends shown in pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 35 weeks and adjusted for share sub-division.

Buoyant conditions at Lucas

Trading conditions in most of Lucas Industries' markets were buoyant and implementation of its Competitiveness Achievement Plans were already producing better operating performances across the group.

Revealing this at the AGM Mr Godfrey Messervy, the chairman, went on to say that the modest recovery noted in most of the group's automotive markets were likely to be sustained.

He added that car production in Western Europe was expected to grow by some 3 per cent in 1986 with more modest growth in commercial vehicle output.

In the US car production should be maintained while truck and tractor output should improve.

The meeting was told that the aerospace business was firmly established on a strong upward *trend. Ordering activity for both* military and civil aircraft had increased substantially and demand for other military equipment was buoyant.

The competitive position of Lucas Aerospace underlined a very encouraging business projection and further growth prospects were seen throughout the world in the markets of the industrial businesses.

Mr Messervy summed up: "Achieving and maintaining international levels of competitiveness in all our chosen product ranges, remained a fundamental part of our strategy of concentrating our resources in those world markets — aerospace, industrial and automotive — which have sound prospects for profitable long-term growth.

"We shall make further substantial progress in the current financial year."

HB Electronic abandons talks

HB Electronic Components, the USM-listed distributor of passive components, has called off talks aimed at acquiring Axiom Electronics, part of the Coats Patons group.

Mr Mike Davis, managing director, said that the two companies had failed to agree on the terms of the purchase rather than the price. HB shares, suspended at 46p, following the announcement of the talks, closed last night at 38p.

Mr Davis said HB believed there were other opportunities to develop the business, either by acquisition or through franchise. HB has recently become one of four UK distributors for Silconics, the American semiconductor company.

Mr David Probert, chief executive of W. Canning, 83 per cent shareholder in HB, has been appointed chairman with effect from January 1 1986, replacing Mr Gordon Hazzard, who remains a director.

LADBROKE INDEX
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Giordano retains leading pay position

By Martin Dickson

MR RICHARD GIORDANO, the American chairman of BOC, has retained his position as Britain's highest-paid executive, earning £883,100 in 1984-85, a £111,500 increase on the previous year, the company's annual report showed yesterday.

Lord Hanson, chairman of Hanson Trust, received a 70 per cent pay rise, from £177,000 to £301,000, in 1984-85, according to his company's annual report, which was also published yesterday.

Four other directors of BOC, all either American or working in the US, earned between £230,000 and £290,000, up from £135,000, £205,000 in the previous year.

Mr Giordano, who has been Britain's best-paid director for the past five years, has his pay largely denominated in dollars. The annual report said that his remuneration was increased by 3.3 per cent in 1984-85 but it rose by 14.4 per cent in sterling terms because of the movement in the dollar.

With a large proportion of its business in the US, BOC's policy is to pay salaries competitive with those which its executives could earn if employed in similar roles by US companies.

Hanson Trust said Lord Hanson's pay was both performance and responsibility related, and was determined after an analysis by outside consultants of comparable salaries elsewhere. In the year to September, Hanson Trust's pretax profits rose by 49 per cent to £252.8m.

● Hanson Trust yesterday appointed J. Henry Schroder Wagg to advise it on its record £1.9bn takeover bid for Imperial Group, in addition to N. M. Rothschild, its usual financial adviser.

Hanson said it had decided to call on additional resources because of the size of the bid. Rothschild agreed with the move. Schroder advised Hanson during its successful bid for UDS, the stores group, when Rothschild was already advising one of the other parties involved.

Profit decline prompts Utd. Scientific shake-up

United Scientific Holdings, the defence contractor, has made substantial boardroom and organisational changes following its second successive year of declining profits.

The announcement of the shake-up — which sees the appointment of three new directors and the group's activities split into three new divisions — came with the publication yesterday of the results for the year to September 30 1985 showing a pre-tax profit of £10.11m. This is nearly £2m short *of last year's £12.07m, and well* adrift of analysts' forecasts of around £12.2m.

The accounts also disclose an extraordinary debit of £2.6m, as a provision to reduce UK listed investments to market value — understood to be the group's holding in Westland, the ailing helicopter manufacturer.

Along with extraordinary debits of £5.6m as a further cost relating to the move to the Ni-Tec plant in Dallas, Texas, and £2.73m in redundancy payments, below the line costs totalled £10.93m, partially offset by a £8.2m transfer from reserves.

Sir Frank Cooper, in his first annual statement as chairman, says the board changes were "designed to reflect the management needs of the group and provide the necessary framework to secure a strong basis for future growth and profitability."

Mr Derek Cannons has joined the board as a divisional managing director to oversee the vehicles and systems division, and also the American electro optics division.

Mr William Fraser will join the board as managing director in charge of the European electro optics division, and will also become group technical director. The third appointment is that of Mr Nicholas Prest, who *will become group marketing* director and managing director of United Scientific Instruments.

It was also announced yesterday that Mr Anthony Quayle was to resign as group development director "by mutual agreement." Mr Quayle was previously managing director of Alvis, USH's armoured vehicles subsidiary.

*Outside the US, all group com*panies operated profitably, but the American companies encountered a severe and unexpected downturn.

Group turnover in the year declined from £120.01m to £116.02m. Sir Frank says that the current order book is the highest in the company's history, in excess of £200m.

The final dividend is held at 3.5p net for a total of 5.7p, 0.2p up on last year.

● comment

Bearing in mind that USH's shares were changing hands at almost 500p in 1983, yesterday's 15p rise to 170p is not something to get too excited about. But it *was a recognition that the new* management has swept through the group and lumped all the bad news into one set of figures—and it is hard to imagine much worse than £10.9m of extraordinary debits on a profit, pre-tax, of £10.1m. The redundancy costs (which might have been better placed as an exceptional) relate to Alvis, factory relocation is part of the total $16m cost of sorting out Ni-tec in the US and the provision for listed investments is a write-down against a near 5 per cent holding in Westland—a saga that does not bear repeating here. After such awful figures it is possible that this year might see some recovery although the first half is bound *to be dull as Ni-tec in the US,* having swung from a £2m profit to a £2m loss last year, will not break even on a monthly basis till early in 1986. But if USH can pull off the £250m order for 600 Scorpion tanks for Indonesia, 200 of which would leave the UK battle-ready, that would give a useful leg-up. Profits might reach £12m this year but historic earnings at USH are a safer guide line, leaving the p/e at a not particularly enticing 14.4.

Bemrose offshoot sold to Low and Bonar

By Mark Meredith, Scottish Correspondent

Low and Bonar, the Dundee-based packaging, textiles and electronics group yesterday anounced an agreed £8.85m takeover of the packaging operations of the Bemrose Corporation of Derby.

The sale comes on top of Low and Bonar's contested £7.8m offer for the Cole Group, another packaging and electronics company in Purley, Surrey.

Low and Bonar will take over the flexible packaging, engraving and carton manufacturing operations of Bemrose Packaging. Bemrose will continue its core activities of security printing, advertising and retail products.

The flexible packaging and engraving operations are based in Derby and supply the confectionery, dried foods and health care markets. The carton operations are in Manchester and Leeds.

These Bemrose operations produced a turnover of £25.1m for the year ended December 31 1984 and profits of £400,000.

Mr Roland Jarvis, chief executive, *said Bemrose would benefit* from capital and resources Low and Bonar would commit to them.

Low and Bonar are out to buy further capacity in the three specialisations of packaging and plastics, specialist non-woven textiles and electronics which emerged last year with a restructuring of the company under Mr Jarvis.

The company has a considerable cash float after disposing of its foundry, traditional textile and heavy electrical equipment interests which did not fit into its development plans. It does not fit into its development plans. It does not plan extensive borrowing to finance its purchases.

The company increased turnover by 13 per cent in the year to November 30, 1984 to £197.7m and profits before tax rose by 25 per cent to £11.4m. In August, interim pre-tax profits for the six months were up 45 per cent to £6m.

Deep discount on Goal's £11m call

Goal Petroleum, a UK oil exploration company, has called on its shareholders for £10.7m through a deeply discounted rights issue.

The issue, on a one-for-one basis at 32p per share, compared with the previous closing *price of 62p*, has been underwritten by Hill Samuel. The existing shares at first fell 18p to 44p, closing at 48p.

Mr David Boyd, the managing director of Goal, said yesterday that the net cash raised—£10.3m—would turn Goal "from a very highly geared company with the prospect of a parlous financial *condition into a strong company* with little concern of a financial nature."

The company has drawn down $15m of its $50m credit facilities, and the rights issue will give the company sufficient creditworthiness to draw a further $5m. Goal will be able to draw on the remaining $30m only when Dorset local authorities give full planning consent for the development of the Wytch Farm oil field, in which Goal has a 5 per cent interest.

The rights issue appears designed to give Goal a breathing space before the rest of the loan is triggered.

The market appeared surprised at the timing of the issue, *coming only a week after a meet*ing of Opec caused havoc on the world oil markets.

Morgan Grenfell has a 30.2 per cent stake in Goal and has agreed to subscribe or find buyers for the new shares to which it is entitled.

● comment

It takes some unusual circumstances to make an oil exploration company launch a rights issue in this market. In Goal's case, it appears that it could not issue a warranty of creditworthiness to its banks for a further loan instalment unless it came up with some cash on the nail. It looks equally odd to underwrite a rights issue at a near 50 per cent discount to the existing price, but only thus could Goal guarantee the money. It still looks dotty to have booked a rights issue in the week after what was always going to be a difficult Opec meeting, but perhaps it has taken this long to get Morgan Grenfell—which has been trying to sell its 30 per cent stake for years—to agree to vote its shares in favour of a rights issue. At 37p, the new shares should be taken up, but in the knowledge that Goal's future is dependent, not so much on Sheikh Yamani, but on the Dorset county planning authorities. Red face of the day: the man at Morgan Grenfell who turned down an offer of 150p a share for the Goal stake from Carless Capel last year.

Acquisitions help Halma to 43% profit rise

ANOTHER GOOD set of results are reported by Halma for the 26 weeks to September 8 1985 which it attributes to significant increases in growth and profit from three divisions and from acquisitions completed during the period.

Pre-tax profits of the group, which makes safety systems, environmental control equipment, security equipment and specialised engineering equipment, were lifted 42.5 per cent from £1.60m to £2.27m on turnover up from £11.17m to £14.33m.

The group says net profit as a percentage of turnover increased to 15.8 per cent, its highest for an opening half year.

Four acquisitions were completed during the period. Of these Power Testing has been integrated within Power Equipment and Counter Cache has been integrated within Volumatic. Halma says both activities contributed usefully to the results.

● comment

Halma's 43 per cent profits growth and 1.7 percentage point increase in margins impressed a market whose expectations were *already high, and the shares put* on 8p to close at 225p. The growth has again come both organically and through acquisition: some £1.75m of the £3m increase in turnover came from the five acquisitions made since the last half year end. Among the existing companies, it is the UK ones which have made the strongest contribution, with the US companies producing some 10 per cent of turnover but a rather smaller percentage of profits. However Acquionics, a substantial loss-maker last year, is now breaking even and if contracts with several major US concerns come to fruition, could turn into a substantial contributor. With some £5.4m in sight for the full year, the shares stand on a prospective p/e ratio of 23 after a 35 per cent tax charge. The group remains cash rich even after spending £1.1m on acquisitions this year and the rating, though high, looks justified by the prospect of further rapid gains.

Peel's £17m rights for expansion

Peel Holdings, the edge-of-town superstore and retail park property specialist, is calling on shareholders for £17m to help fund the next phase of its development programme.

The one-for-three rights issue is at 365p a share and follows a string of money-raising exercises in the property sector, most of them via the issue of mortgage debenture stock.

Isle of Man based Largs and its wholly-owned subsidiary Halddeed, which together hold 49.2 per cent of the ordinary share capital in Peel, are to subscribe for their rights entitlements. N. M. Rothschild & Sons has underwritten the balance of the issue.

Peel, one of the few quoted property companies whose shares currently stand at a premium to assets, announced pre-tax profits for the six months to September 30 1985 of £2.4m compared with £1.2m in the corresponding period of the previous year. Turnover rose from £3.2m to £5.3m, and earnings per share increased to 16.1p (8.3p). There is an interim dividend of 2.75p (2.5p).

Peel also said that it had conditionally agreed to purchase from Largs, certain subsidiaries and Fourth Investments, and a number of properties for £4.62m cash.

Largs and Fourth Investments are wholly owned by Mr and Mrs J. H. Whittaker, the parents of Mr John Whittaker, chairman of Peel. The portfolio comprises eight industrial properties currently yielding an annual rental income of £98,640 a year, together with a 500-acre working quary and two farms held for development.

An extraordinary meeting to approve the increase in share capital and the acquisition of properties owned by Largs and Fourth Investments, will be held on January 8 1986.

SGB forecasts 40% earnings rise

SGB, the scaffolding company which is fighting off a £115m takeover bid from BET, the construction, transport and publishing group, yesterday forecast a rise of at least 40 per cent in earnings per share this year.

Earlier this month, SGB forecast a rise of at least 33 per cent to £18m in pre-tax profits in the year ending September 1986. It has now calculated the effect of a fall in its tax charge from 42 to 39 per cent this year to produce a forecast of attributable profits, after minorities, of not less than £11m and earnings per share of not less than 25.7p, a rise of at least 40 per cent.

In a letter to shareholders, the SGB board also revealed that the company paid £1.4m cash for Harrison Hire, a company operating a chain of hire shops in the north-west of England and the Netherlands.

BET has extended its three-for-four share offer until Friday. At yesterday's BET share price of 360p, the bid is worth 270p for each SGB share. SGB's shares were unchanged at 258p yesterday. BET yesterday bought a further 600,000 shares (1.4 per cent of SGB's equity) taking its holding to 4.75m shares or 11.7 per cent. Together with the 15.1 per cent acceptances received by the first closing date, BET controls 26.8 per cent of SGB's equity.

Kier lets Abbey bid lapse

BY LIONEL BARBER

French Kier, the UK construction group, has allowed its £24m bid for Abbey, the Irish-based housebuilder to lapse.

Yesterday Kier revealed it had received acceptances worth 41.7 per cent of Abbey, which included earlier irrevocable undertakings worth 36.4 per cent.

The Gallagher family faction, which had agreed to the offer, immediately sold their near 38 per cent yesterday to financial institutions, according to brokers Laurance Prusta who placed the shares.

French Kier is itself fighting a hostile £113m takeover bid from C. H. Beazer. The first closing date for the offer is today. Kier shares closed at 253p, down 1p on the day. Abbey closed at 68p, down 6p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Arbuthnot Sterling Fund, British Benzol Carbonising, British Steam Specialties, Danae Investment Trust, Flogas, GT Asia (Sterling) Fund, Hampton Gold Mining Areas, Plysu, J. Rothschild, Eliza Tinsley, Triplex.

Finals:—Arbuthnot Yen Bond Fund, Cifer, Micro Scope, United Leasing, Watson and Philip.

FUTURE DATES

Interims:—

Anchor International Fund	Dec 24
Ellis and Everard	Jan 6
Firth (G. M.)	Dec 20
Jenter	Dec 19
Mayfair and City Properties	Jan 30
Porter Chadburn	Dec 20
Sterling Industries	Dec 19
Tomkins (F. H.)	Jan 6

Finals:—

Evode	Jan 20
London and Clydesdale	Jan 14
Redman Heenan International	Dec 18

IRELAND

£12,500,000 7 per cent. Sterling/Deutsche Mark Bonds 1979/88

S. G. WARBURG & CO. LTD., announce that the redemption instalment of £1,250,000 due 15th January, 1986 has been met by purchases in the market to the nominal value of £118,500 and by a drawing of Bonds to the nominal value of £1,131,500.

The distinctive numbers of the Bonds, drawn in the presence of a Notary Public, are as follows:—

12	15	28	31	35	38	41	44	47	51
54	57	60	63	67	70	73	76	80	83
86	89	92	151	154	157	160	163	167	170
173	176	179	183	186	215	349	352	356	359
362	365	369	372	376	387	390	394	397	400
403	406	410	420	423	426	495	499	502	506
508	512	515	518	521	524	529	532	535	555
638	647	700	703	706	758	762	765	768	776
793	803	806	809	812	816	821	824	827	830
834	837	840	843	846	850	853	856	859	862
877	980	988	992	996	999	1002	1005	1008	1012
1015	1018	1021	1024	1028	1031	1034	1037	1040	1044
1047	1050	1053	1057	1060	1063	1066	1069	1073	1076
1079	1082	1085	1089	1092	1095	1100	1103	1107	1128
1131	1134	1137	1141	1144	1147	1150	1154	1157	1160
1163	1166	1170	1173	1176	1196	1199	1225	1228	1231
1243	1246	1250	1253	1256	1259	1263	1266	1269	1272
1275	1279	1282	1285	1312	1315	1319	1322	1325	1328
1343	1347	1350	1353	1356	1372	1376	1409	1412	1415
1419	1422	1425	1449	1452	1456	1459	1462	1468	1485
1493	1496	1499	1502	1505	1509	1512	1551	1554	1558
1561	1582	1585	1588	1592	1601	1604	1613	1616	1620
1648	1651	1655	1658	1662	1882	1885	1888	1891	1895
1898	1917	1920	1944	1957	2002	2005	2018	2022	2025
2028	2031	2034	2038	2061	2106	2109	2112	2116	2119
2122	2125	2129	2132	2135	2138	2141	2145	2148	2151
2154	2157	2161	2164	2167	2170	2173	2177	2180	2183
2186	2190	2193	2196	2199	2202	2206	2209	2212	2215
2218	2222	2225	2228	2231	2234	2238	2241	2244	2247
2250	2254	2257	2260	2263	2267	2270	2273	2276	2279
2283	2286	2289	2292	2295	2299	2302	2305	2308	2311
2315	2318	2321	2324	2328	2331	2334	2337	2340	2344
2347	2350	2353	2356	2360	2363	2366	2369	2372	2376
2379	2402	2405	2408	2412	2415	2418	2421	2425	2428
2431	2434	2437	2441	2458	2461	2464	2467	2471	2474
2493	2496	2499	2503	2506	2509	2526	2530	2550	2553
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10920	10923	10926	10929	10932	10936	10939	10942	10945	10949
10952	10955	10958	10961	10965	10968	10971	10974	10977	10981
10984	10987	10990	10993	10997	11000	11043	11046	11049	11053
11056	11059	11062	11066	11069	11072	11075	11078	11082	11085
11088	11091	11094	11098	11101	11104	11107	11110	11114	11117
11120	11123	11127	11130	11133	11136	11139	11143	11146	11149
11152	11155	11159	11162	11165	11168	11171	11175	11178	11181
11184	11187	11191	11194	11197	11200	11204	11207	11210	11213
11216	11220	11223	11226	11229	11232	11236	11239	11242	11245
11248	11252	11255	11258	11261	11265	11268	11271	11274	11277
11281	11284	11287	11290	11293	11297	11300	11303	11306	11309
11313	11316	11319	11322	11325	11329	11332	11335	11338	11342
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

On 15th January, 1986 there will become due and payable upon each Bond drawn for redemption, the principal amount thereof, together with accrued interest to said date at the office of:—

S. G. WARBURG & CO. LTD.,
33 King William Street, London EC4R 9AS,

or one of the other paying agents named on the Bonds.

Interest will cease to accrue on the Bonds called for redemption on and after 15th January, 1986 and Bonds so presented for payment must have attached all Coupons maturing after that date.

£2,500,000 nominal amount of Bonds will remain outstanding after 15th January, 1986.

33 King William Street,
London EC4R 9AS

17th December, 1985

UK COMPANY NEWS

All-round demand at Brown & Tawse

Brown & Tawse raised its first half pre-tax profits by 14.5 per cent and attributes the improvement on firm demand for its pipeline, steel and industrial products together with continuing integration of acquisitions.

With demand remaining steady the directors say prospects for the full year to March 1986 are favourable.

Turnover for the opening half expanded from £44.92m to £51.43m and pre-tax profits from £2.54m to £2.91m, after taking account of a £154,000 rise in interest charges to £511,000.

The interim dividend is being lifted from 2p to 2.2p net from earnings of 8.3p (6.7p) per 25p share.

P. J. Holloway (Sales), a distributor of fans and air distribution equipment, was acquired in September for £2.25m and will contribute to profits in the second half.

The group continues to seek opportunities for further expansion in the distribution of related products.

The 1984-85 year saw group pre-tax profits surge by 66 per cent to £5.37m from a turnover 48 per cent ahead at £91.1m. Both G. B. Parkes and Brooks & Walker achieved encouraging first-half contributions

Thermal Scientific expands to £1m

CONTINUING development of Thermal Scientific and the successful integration of recent acquisitions are reflected in the first half figures to September 30 1985.

Turnover has expanded from £2.52m to £6.82m and the profit before tax from £265,000 to £1.11m. The group's principal activities are the design and manufacture of small electric laboratory and industrial furnaces and ovens, thermal analysis instruments and plastic extrusion equipment.

The directors of this USM traded group say the trading experience of the six months continues and they are confident of further progress in the second half.

In mid-July the company acquired Killion Extruders (of the US) and Torvac Holdings, respectively making small screws plastic extruders, and vacuum furnaces and electron beam welders, for an initial consideration of £5.25m. To fund the cash element of the consideration and to help with development, Thermal raised nearly £6.5m net by a 2-for-5 rights issue.

The directors have declared an interim dividend of 1.5p net on the higher capital, having already forecast a total of not less than 4p (interim 1p and final 2p).

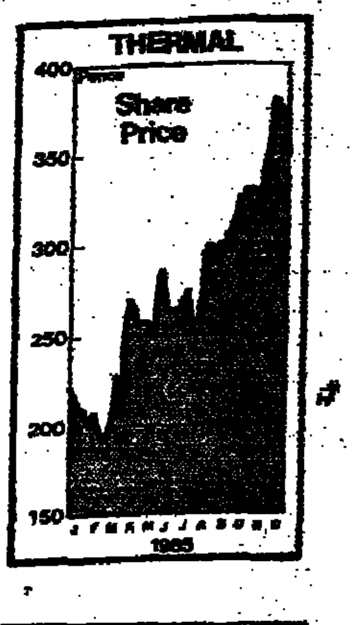
The profit included a contribution of £102,000 from Killion and Torvac. This represented the last month of the period: had they been members of the group for the full period then sales would have been £10.9m and profits £1.66m.

After tax £465,000 (£106,000) the net profit for the half year comes to £640,000 (£159,000), leaving earnings of 8.3p (3.7p old capital). Tax includes US company taxes of £175,000.

At September 30 net tangible assets of the group were shown at 82.8p, compared with 33.4p.

● comment

Thermal Scientific's avowed objective is to achieve long-term average growth in earnings per share of at least 30 per cent, and with earnings up yesterday by 120 per cent, the group is running fairly comfortably ahead of target. The figures have been given a strong boost by acquisitions: the year-on-year comparison benefits not just from Torvac and Killion's one-month contributions but from the addition of Betol and Centorr, acquired at the end of last year. Even without these, however, the earnings target would have been met by an average growth in the existing businesses of 30-40 per cent. A full second half of the new acquisitions together with a continuation of organic growth should put £2.7m easily within reach for the year, putting the shares, down 5p on profit-taking to 375p, on a prospective p/e ratio of 21 after a 40 per cent tax charge. With £2m in the bank and chairman Mr Hugh Sykes scouring Europe as well as the UK and US for further acquisitions, the rating looks justified by the growth prospects.



Parkfield record and expansion

RECORD PRE-TAX profits up from £110,000 to £581,000 are reported by Parkfield Group, the Cleveland-based USM quoted iron foundry and electrical distribution group, for the half-year to November 2, 1985.

The company also announces the acquisition of J. Fisher and Company (Cleveleys) for £2.76m. Fisher is a manufacturer of precision tooling for plastic injection moulding.

Mr Roge Felber, the chairman, says that plans for continuing growth will be achieved both from existing operations and by carefully selected acquisitions in areas allied to our management skills.

The interim dividend is increased by 50 per cent from 0.8p to 1.2p—last year a total of 2.4p was paid from pre-tax profits of £375,000 (£65,000 loss). Stated earnings per 5p share rose from 1.29p to 6.17p.

Group turnover for the opening half increased from £2.04m to £6.28m. Tax climbed from £42,000 to £230,000. After dividends of £69,000 (£42,000), retained earnings were £282,000 a £2,000 loss.

Commenting on the first half figures, Mr Felber says the foundry operation made fine progress with turnover well up on the same period last year and this is resulting in high profitability. In September, commissioning of the new electric melting furnace was completed, and October gave the group its first full month of raw material savings from this investment.

Of the acquisition of Fisher, Mr Felber believes it has substantial growth potential. He says it is a company with technical know-how, customer base and machinery, and existing order inquiries enable confidence for new production facility. The consideration will be satisfied by the issue of 1,317,048 new ordinary shares in Parkfield, and will be placed by Panmure Gordon at 210p per share.

In the year to January 31 1985, Fisher made pre-tax profit of £331,000 before a management charge of £120,000.

Benzol sees return to profit

British Benzol, the coke and smokeless fuel manufacturer and mining company which was badly hit by the miners' strike, has cut its losses for the first half of the 1985-85 year, and is confident that the full year will show a return to profitability.

In the period to September 30 1985, pre-tax losses were reduced from £552,000 to £124,000, in trading conditions which, says Mr William Douie, the chairman, remained turbulent following the end of the miners' strike. Turnover was up from £4.79m to £7.57m.

"I am pleased to report that recovery, coupled with the strong infusion of senior management, had, before the half year end, reversed losses and that, since that time, profits have been earned at a rate not seen for many years," he adds.

Craton Lodge over revised forecast

Craton Lodge and Knight, the USM quoted development agency, finished the year ended September 30 1985 with a pretax profit of £501,000 and is paying a final dividend of 1.35p

In both cases this is better than expected. In August the company said it was looking for an unchanged £485,000 profit—resived from around £600,000—and a final of not less than 1.25p.

The directors say their confidence in the future "has never been greater."

The 10 largest clients accounted for 61 per cent of revenue in 1984-85, against 75 per cent in the previous year.

Belhaven Brewery up 10%

The policy of continuing to acquire licensed outlets in its distribution area enabled Scottish-based Belhaven Brewery Group to lift its pre-tax profits by a little over 10 per cent to £902,000 at the half-year stage.

The brewery division's profits surged by 70 per cent to £502,000 (£295,000) and furthermore, the group has plans to introduce its own bottled lager shortly.

Along with the interim results the directors, headed by chairman Mr Nazmu Virani, say they are disposed with investments which no longer fit into their expansion plans.

In this respect, contracts have been exchanged for the sale of Denes Holiday village for an aggregate of £580,000.

For the six months to September 30 1985 the group saw its turnover rise from £6.19m to £6.72m. Earnings emerged 0.22p ahead at 2.64p and the net interim dividend is lifted to 0.37p (0.35p) per 25p share.

the construction activities fell from £65,000 to £26,000 due to problems associated with one contract.

The proceeds from the sale of Denes will reduce the borrowings that are being used to finance the continuing acquisition of brewery outlets.

Nash recovery under way

Nash Industries returned to profit in the second half of the 1984-85 year despite having to carry further losses at the Johnson Construction Machinery and Dalkeith Press subsidiaries.

The directors say the current year will see a continued improvement in the group's profits performance and as a measure of their confidence in the future they are recommending payment of a 0.5p final dividend, having passed the interim—last year a total of 2.5p was paid.

For the year to September 30 1985 the group, with interests in packaging, engineering and construction, increased its turnover to £17.45m (£16.03m) but at the pre-tax level incurred a loss of £121,000, compared with previous profits of £267,000. Second half profits amounted to £66,000 (£9,000).

Plans for the disposal of the two subsidiaries have been completed and the cost of their closing down amounting to £796,00 was taken below the line as extraordinary items.

Engineering remains a substantial and constant profit earner.

WILLIS FABER, insurance broker, is to seek shareholders' approval for a share split on a one-for-one basis. This will double the number of shares in issue and halve their nominal value from 25p to 12.5p. Aim is to make the shares more marketable. Approval will also be sought to introduce an employee profit-sharing scheme and, as already announced, divestment of the group's Lloyd's managing agency interests.

Norank heading for USM

By Richard Tomkins

Norank Systems, a company which makes metal display racks for record shops, is coming to the unlisted securities market with a placing of 1.6m shares at 90p a share, giving it a market capitalisation of £3.35m.

The placing is sponsored by Guidehouse, a licensed issuing house, and brokers to the issue are Kitcat & Aitken. It is Guidehouse's first USM flotation.

Norank, which started in business 15 years ago as a general engineering company, started making metal display equipment for record, tape, video cassette and compact disc retailers in 1975. Its customers include Virgin Records, Our Price Records, Woolworth and W H Smith.

It also designs and manufactures metal props and special effects for films made at Elstree Studios.

Profits progress has been unsteady. At the pre-tax level the figures have twice dipped into the red during their rise from £10,000 for the year to December 1980 to £75,000 last year.

These figures are struck after deductions for management charges relating to non-executive directors, and contributions to a director's self-administered pension scheme.

Of the £1.25m net being raised by the placing, some £830,000 is going to existing shareholders. The directors say the remaining £420,000 will be used to expand production capacity and provide extra working capital for growth.

and Cook approaches 1986 with confidence and a good workload.

Negotiations continue for the acquisition of Robert Hyde and Son, private steel founder.

Midway growth for William Cook

In the six months ended September 30 1985, pre-tax profit of William Cook and Sons (Sheffield), steel founder, rose, from £304,000 to £497,000. Earnings come to 5.96p (3.34p) per share and the interim dividend is raised to 1.75p net (1.1p)

Contribution by the heavy foundry has fully justified the substantial investment made in it.

Performance since the half year has continued satisfactory

FT COMMERCIAL LAW REPORTS

Property contract binds Italian office

JANRED PROPERTIES LTD v ENTE NAZIONALE PER IL TURISMO (NO 2)
Chancery Division: Mr Justice Knox: December 5 1985

A FOREIGN state organisation which contracts to buy property without obtaining ministerial consent as required by *its constitution* is estopped from denying the validity of the contract if, by its conduct, it has led the vendor to act to his detriment; and the estoppel is not defeated by the doctrine of ultra vires if property purchase is within the powers of the organisation and *if*, under the law governing its constitution, lack of ministerial consent does not render the contract void but voidable by one party only.

Mr Justice Knox so held when awarding damages to Janred Properties Ltd, a property development company, in an action against *Ente Nazionale* per il Turismo, the Italian Tourist Office ("Enit") in respect of its failure to complete under a contract for the purchase of a long lease.

HIS LORDSHIP said that Enit was an Italian state body with legal personality. It was largely supported by public funds.

The purchase of property in *London was within its objects* as set out in its constitution. The functions of its board of directors included passing resolutions concerning budget variations, *and the establishment of offices* abroad. Resolutions concerning budget variations and pluri-annual commitments needed the approval of the Minister of Tourism.

The functions of the executive committee included passing resolutions concerning financial commitments and acquisitions of properties for a term exceeding nine years.

From September 1 1980 until October 18 1982 Mr Gabriello Moretti, the president of Enit, was vested with all the powers of president, board of directors and executive committee, but with no power to give or dispense with the Minister's consent where consent was necessary.

On March 19 1982 two contracts were exchanged between Janred and Enit. The first was an agreement for Janred to grant Enit a 25-year sub-underlease of London property at a yearly rent of £114,000. The second was an agreement conferring on Enit an option to purchase Janred's underlease *for* £1.5m.

Janred's solicitors had repeatedly pressed for information as to Enit's constitutional position and as to whether its London signatory, Mr Tomaso Tomba, had received authority from Rome.

Assurance that Mr Tomba had *authority to sign the agreement* was given orally by Enit's solicitors on March 19 when the exchange of contracts took place. It took place solely on the strength of that assurance.

Thereafter Mr Tomba gave several reminders to his head office in Rome that the period for exercising the option was due to expire on June 30 1982.

The option was not exercised on June 30. On July 2 Mr Moretti telexed Mr Tomba from Rome: "We give favourable opinion purchase long lease . . . we await . . . relevant certification approval." Mr Tomba, not unnaturally, found it difficult to decide whether that gave him authority to sign a contract reviving and exercising the option.

The telex arrived shortly before the start of a meeting called between Enit and Janred to see if agreement could be reached to revive and exercise the option. The meeting went on some 3½ hours during which Mr Tomba made attempts to clarify his *position with Rome.*

Eventually, specific instructions were given by the acting director-general in Rome to Mr Tomba, that he was entitled to *sign. Janred's solicitors* accepted the assurances of Enit's solicitors that it was all right for him to do so.

An agreement was signed by Mr Tomba exercising the option to purchase, with a completion date of September 30.

After July 2 the conveyancing procedures between contract and completion proceeded normally in London. A deposit of £150,000 was paid. The balance would have to be paid on September 30.

In Italy the position was much less satisfactory. The Minister of Tourism was not prepared to authorise the expenditure there and then, but approved a suggestion that delayed completion should be negotiated.

On October 4 Janred served a notice to complete. On October 14 Enit offered to complete by deferred instalments. That was not accepted.

Janred issued a writ on October 28 and instructed agents to look for an alternative purchaser.

Proceedings were served on December 7. Enit changed its solicitors and the new solicitor stated a defence that Mr Tomba had lacked the requisite authority to sign on Enit's behalf.

The action proceeded at first by application for summary judgment for specific performance. Mr Justice Warner made an *order in Janred's favour* on March 28 1983 on the ground of estoppel based on the conduct of those acting for Enit.

Enit appealed and was allowed leave to defend. It contended that the transaction embodied in the July agreement was *ultra vires* Enit and there could be no estoppel.

The transaction involved a budget variation. As a resolution involving a budget variation needed ministerial consent and no ministerial consent was given to the July agreement, Mr Moretti did not have power to authorise Mr Tomba *to sign*. The question whether he did authorise Mr Tomba was therefore irrelevant. A contention that Mr Tomba had ostensible authority was *rejected.*

However, Janred had kept the property off the market until November 2 as a result of Enit's signing and continuing to *negotiate on the footing* that there was binding contract which it wished to complete out of time.

A detriment was therefore *established which was enough to* ground an estoppel, subject to the effect of the *ultra vires* doctrine.

The law governing the July *agreement was English law, but* Enit's constitution was governed by Italian law.

It was found on the evidence that under Italian law a contract *made on behalf of a public* entity without the requisite ministerial consent, on the authority of persons to whom the requisite power was not given, was not absolutely void but was subject to "*nullita relativa.*"

Such a contract was voidable at the suit of the public authority and with the consent of the Italian court, and was unlawful in the sense that it was contrary to provisions designed to protect Italian public revenue.

It was binding on and was not voidable by the other party. It was susceptible of ratification by the public entity on obtaining the requisite consent or otherwise curing the defect.

Another feature of Italian law, which was not directly applicable because the proper law of the contract was English, was a doctrine called *culpa in contrahendo*, based on Articles 1337 and 1338.

Article 1337 provided that parties to negotiations should conduct themselves in good faith. Article 1338 provided that a party who knew of a reason for invalidity of the contract and did not give notice to the other, was bound to compensate for damage suffered by the other in relying without fault on the validity.

That doctrine was capable of applying in Italian law to contracts between public entities and private persons.

Its relevance was that Italian law as a whole did provide protection for private parties who entered into contracts with public entities. Not only were the transactions themselves not *nullities, but they were hedged* about with sanctions which provided protection against at least the grosser abuses of power.

The question therefore was whether the defects in formation of the July agreement were such as to prevent the doctrine of estoppel from applying.

Mr Lightman for Janred, relied on *Bodley Head [1972] 1 WLR 680* which established that illegality under a system other than the proper law of the contract would not deter an English court from giving effect to a contract which was lawful under English law.

The estoppel which English law as the proper law of the contract and the *lex fori* would apply was not excluded by the application of *nullita relativa* to the July agreement for the following reasons:

First, *ultra vires* rendered the relevant transaction of nullity incapable of ratification and devoid of legal effect. That could not be said of *nullita relativa* which rendered a contract voidable at the suit of one party and binding on the other.

Secondly, the law confronting the estoppel was designed to protect the Italian public revenue. While international comity required regard to be paid to such considerations, it did not impose an imperative bar on what English law would otherwise treat as the just solution of a problem according to law.

It might be that different considerations would apply to specific performance.

Thirdly, Enit itself, as opposed to the relevant officers, had power to enter into the July agreement which fell squarely *within its objects.*

Fourthly, Italian law, if it had been the proper law, would have been capable of providing protection to innocent third parties *who in the context of nullita relativa* affecting a contract with a public entity suffered loss from the improper conduct of the latter's officers.

The July agreement was binding on Enit by estoppel. Damages were awarded at a commercial rate of interest.

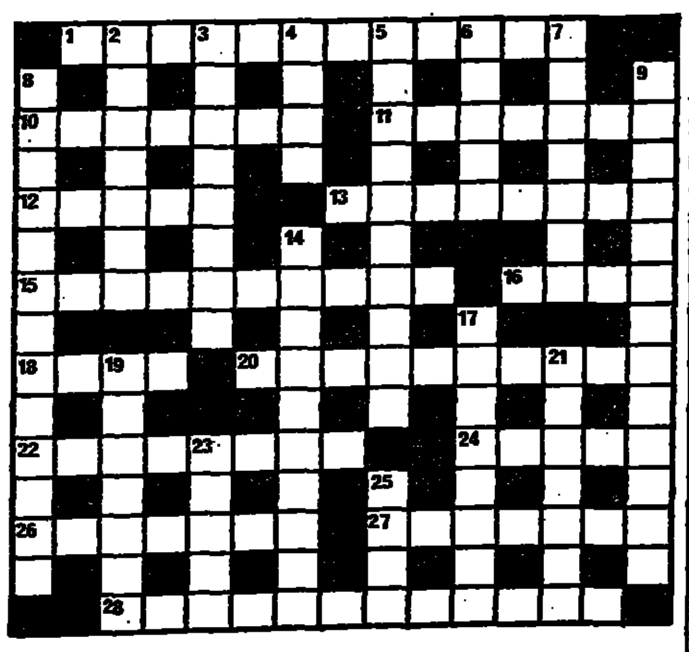
For Janred: Gavin Lightman QC and Jonathan Crystal (Howard Kennedy).

For the Tourist office: Stanley Brodie QC and Stephen Nathan (Colombotti & Partners).

By Rachel Davies
Barrister

In *Nottinghamshire CC v Secretary of State for the Environment* (FT December 13 1985) second junior counsel for the Secretary of State was Paul Walker, not Patrick Walker as stated.

F.T. CROSSWORD PUZZLE No. 5,901



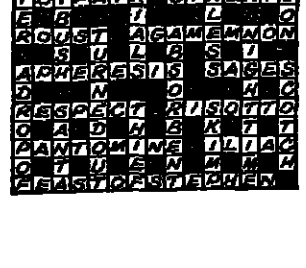
ACROSS

1 In the SE, my local turns out to see it going by (7, 5)
10 Lost like the great auk (7)
11 Peculiar chaps taking time in scrap (7)
12 Fish caught in forgotten channel (5)
13 Member at No. 10 with name for diplomatic *mission* (8)
15 Just arable ones turned over? (10)
16 This fruit sounds nothing *like a peach* (4)
18 Divinely shaped ambitions? (4)
20 Augmenting band, ignore arrangement (10)
22 E.g. "A frost, perhaps, round city districts" (8)
24 A pedal part in operation (5)
26 Purplish-red *edges* in *study* (7)
27 Manuel de Falla's hat for the ballet (7)
28 Upgraded accommodation for visitor? (5-7)

DOWN

2 Six-footer's capital appendage (7)
3 Ploughman's extended course? (8)
4 Still one looks for him in Nepal (4)
5 Lucky design? 150 on next *page! (10)*
6 Middle states of ancient country (5)
7 Where to drive from China, swarming with people (7)
8 Pat, landlord beyond compare? (6-7)
9 No TNT assigned to destroy this ancient monument (8-5)
14 Can't a cross make one inviolable? (10)
17 Bloomer in stork's bill, we hear (8)
19 Much loved lighthouse-keeper (7)
21 Found such club aggregate? (4-3)
23 Turn of eyes east will find such a class system (5)
25 Irritation in the palm for yen? (4)

Solution to Puzzle No. 5,900



APPOINTMENTS

Senior post at Merck Sharp

MERCK SHARP & DOHME has made the following appointments: **Mr Bernard J. Crowley** has been appointed chairman of Merck Sharp & Dohme (Holdings). He was previously senior vice president, Merck Sharp & Dohme International, and president Merck Sharp & Dohme (Europe) Inc. **Mr Anthony J. Graham** has been appointed managing director, Merck Sharp & Dohme—*UK*, and vice president, Merck Sharp & Dohme (Europe) Inc. Mr Graham held senior appointments with parent company, Merck & Co Inc in the *US and later returned to* Merck Sharp & Dohme Australia to become managing director in 1981 and regional director for Australia and New Zealand in 1985. Mr Graham replaces Mr John V. Burke who has been appointed managing director of Glaxo Pharmaceuticals.

★

Mr Thomas W. McCreery has joined BRADSTOCK BLUNT (NI) as an associate director.

★

Mr P. J. Hulse, Mr P. N. Quinnen and **Mr M. J. Wentworth-Waites** have been appointed directors of LAZARD SECURITIES, investment management subsidiary of Lazard Brothers, from January 1.

★

Mr Geoffrey C. Bradford has been appointed a director of RESOURCE EVALUATION from January 1.

★

Dr Anthony Challis, formerly chief scientist at the Department of Energy, and head of the Science Research Council's polymer *engineering directorate* has been elected president of the PLASTICS AND RUBBER INSTITUTE. **Mr Harry Kleeman** was elected chairman of the council of the Institute. He is chairman of the Kleeman Plastics Group.

★

***Mr Bob Cable** has* been appointed managing director of SERENISSIMA TRAVEL. He was with Jetsave as general manager product, responsible for the transatlantic programme.

★

Mr Roger M. Daniels has been appointed company secretary of THE WOLVERHAMPTON & DUDLEY BREWERIES.

★

Mr D. Wyn Edge has been appointed northern area director of TILCON, a subsidiary of BTR. He was sales and marketing manager.

★

Mr Jonathan Hagger has joined BAIN DAWES as assistant finance director. He was previously a director *of Willis Faber* International.

★

Mrs Sarah Fairclough has been appointed an associate director *of HILL MARTIN (INSURANCE* BROKERS). She will be sales director for the company's branch in Germany.

★

Mr Richard Reece has been appointed finance director and company secretary of BRENGREEN (HOLDINGS). He has been with Brengreen for five *years.*

★

MEMORY COMPUTER, Dublin, has appointed **Mr David Stern** to the main board. He is currently chief executive of Memory Computer (UK).

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE   Dlg. 01-236 3885

International Growth	105.8	112.6	+1.4	1.30
Income & Growth	45.2	48.1	-0.2	2.8
Special Situations	57.5	61.2	+0.6	1.20
American Growth	28.6	30.4	+0.3	1.50
Japan Growth	35.9	38.2		—
European Growth	46.5	49.7	+0.9	2.56
UK Growth	43.9	46.9	+0.3	1.9
Pacific Growth	32.8	35.1		2.0
High Income	29.5	31.5	-0.1	7.6
Practical Income Units	44.0	46.8	+0.2	2.70
Practical Accum. Units	79.1	84.2	+0.4	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB   01-405 8441

Pearl Growth Fd.	69.5	73.9	+0.3	2.89
Accum Units	102.7	109.3	+0.5	2.89
Pearl Inc.	95.4	101.5	+0.9	4.86
Pearl Unit Tst	101.0	107.4	+0.6	3.84
(Accum. Units)	173.0	184.0	+1.1	3.84
Pearl Intl Equity	97.8	104.0	+0.5	1.92
(Accum Units)	97.8	104.0	+0.5	1.92

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames   0491 576868

International Growth	212.6	227.4	+2.1	1.44
Income	149.8	160.4	-0.2	5.35
Worldwide Recovery	118.7	127.9	+0.8	2.12
American Growth	60.5	65.0	+0.5	1.08
Intl Emergency Cos.	63.1	67.8	+0.5	0.74
Far East Growth Fd.	53.6	57.5		1.14

Prolific Unit Trusts
222 Bishopsgate, London EC2   01-247 7544/7

Prolific American Inc.	49.4	53.1	+0.5	4.99
Prolific Far East	112.1	120.5		0.31
Prolific Extra Inc.	65.7	69.7xd	+0.1	5.98
Prolific Convert & Gil	82.5	87.5xd	+0.2	7.20
Prolific High Inc	140.0	148.5xd	+0.1	5.10
Prolific Intl.	89.4	96.1	+0.6	1.66
Prolific N. Amer	118.6	127.5	+1.2	2.24
Prolific Spec. Sits	153.0	162.2xd	-0.1	1.49
Prolific Technology	103.4	111.2xd	+1.1	0.57

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG   01-749 9111

Japan Inc.	54.2	57.4xd	+0.1	0.00
Japan Acc.	54.3	57.5		0.00
Worldwide Inc.	55.0	58.3	+0.4	1.70
Worldwide Acc.	55.5	58.8	+0.3	1.70
European Tst Inc	64.8	68.6xd	+0.5	0.80
European Tst Acc.	65.0	68.8xd	+0.4	0.80
North American Inc.	52.2	55.3	+0.6	1.74
North American Acc.	52.2	55.3	+0.6	1.74
UK Equity Inc	53.9	57.1xd	+0.1	2.89
UK Equity Acc	55.1	58.4		2.89

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA   01-588 3963

PM Equity Growth	—	50.0		—
PM Income & Gwth.	—	50.0		—

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL   01-478 3377

Holborn Equity Tst	339.2	360.8		3.38
Holborn European Trust	60.3	64.1	+0.4	1.00
Holborn Gilt Tst.	157.1	164.5	-0.5	8.06
Holborn High Inc	55.4	58.9xd	-0.2	7.57
Holborn Intl Growth	74.2	78.9	+0.9	0.67
Holborn Japanese Trust	58.0	61.6	+0.8	0.05
Holborn N. Amer. Trust	55.6	59.1	+0.9	2.07
Holborn Spec Sits	49.2	52.3	-0.1	2.40
Holborn UK Growth	67.6	71.9		2.72

Quilter Management Co Ltd
31-45 Gresham Street, London EC2   01-600 4177

Quadrant Gen Fd	348.2	370.4		3.62
Quadrant Income	194.7	207.1		5.13
Quadrant Intl. Fund	323.5	340.6	+14.2	1.40
Quadrant Spec. Sits.	208.0	221.3		3.37

Reed Stenhouse Inv Services Ltd
145 Borough High St, London SE1 1NV   01-628 6011

Wellington Inc	53.4	56.8		6.61
Wellington Growth	111.2	118.3		2.91

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent   0892 22271

British Life	140.0	150.6	+0.5	3.76
Reliance Unit Tst (Inc)	90.6	96.8	+0.3	3.23
Reliance Ut Tst (Acc)	118.9	127.0	+0.4	3.23

Ridgefield Management Ltd
35 Fountain St, Manchester M2 2AF   061-236 5685

Income UT	98.0	104.9xd	-0.9	6.35
International UT	209.4	224.0xd	-0.6	1.00

N.M. Rothschild Asset Management
St Swithin's Lane, London EC4   01-280 5456

NC America (Inc)	241.1	253.7	+2.4	1.89
NC America (Acc)	259.3	272.9	+2.5	1.89
NC Emy Res Tst.	150.5	158.4	+0.6	3.03
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Sun Life Trust Mngmt. Ltd
107 Cheapside, London EC2V 6DU   01-606 6010

American Growth Acc.	24.9	26.5	+0.5	1.9
American Income Acc.	25.0	26.6	+0.3	4.7
American Income Inc.	25.0	26.6	+0.3	4.7
European Growth Acc.	36.1	38.4	+0.3	2.3
Far East Growth Acc.	27.6	29.4	+0.2	0.9
Int. Growth Acc.	26.8	28.5	+0.3	0.9
Japan Growth Acc.	34.0	36.2	+0.2	0.3
UK Growth Acc.	29.0	30.8	—	2.4
UK Income Acc.	26.3	28.0	—	4.5
UK Income Inc.	26.3	28.0		4.5
Managed Growth Acc	30.1	32.2	+0.2	2.3
Managed High Yield Inc	32.0	34.0xd	-0.1	6.9
Managed Income Inc.	27.4	29.1xd	-0.1	4.3

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks   0732 450161

Equity Dist.*	232.3	245.8xd	—	3.90
Equity Acc.*	279.5	295.7xd	—	3.90
Fixed Int. Dist †	116.0	120.2xd	—	11.25
Fixed Int. Acc. †	170.2	176.3xd	—	11.25

*Prices on Dec 11. Next dealing Jan 8
†Prices on Dec 4. Next dealing Jan 2

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188   Dealings to 0264 63432-3

TSB American	100.0	106.4	+1.4	1.23
Do. Accum	104.1	110.8	+1.5	1.23
TSB Extra Income	88.4	94.1	-0.2	6.09
Do Accum.	101.8	108.3	-0.2	6.09
TSB General	134.0	142.6	+0.2	3.10
Do Accum	215.6	229.4	+0.3	3.10
TSB Gilt & Fxd Int	46.5	48.5	-0.4	9.17
Do Accum	58.4	60.9	-0.4	9.17
TSB Income	174.7	185.9xd	-0.3	4.90
Do. Accum.	268.1	285.3	-0.5	4.90
TSB Pacific	111.4	118.6	+0.3	0.59
Do. Accum	114.3	121.6	+0.3	0.59
TSB International	249.3	265.3	+2.3	1.87
Do Accum.	306.0	325.6	+2.8	1.87
TSB Natural Resources	41.2	43.9	+0.2	2.25
Do Accum.	42.1	44.8	+0.2	2.25
TSB Specl. Opps.	48.4	51.5	—	2.32
Do. Accum.	52.6	56.0	—	2.32

3i Unit Trust Managers Ltd
2 St Mary Axe, London EC3A 8BP   01-928 3956

Small Co's Fund	68.0	72.3	+1.4	0.10

Target Trust Mngrs. Ltd (a)(g)
Target Hse, Gatehouse Rd, Aylesbury Bks   (0296) 5941

American Eagle	69.2	74.0xd	+0.4	0.47
Australia	25.9	27.5	-0.9	0.10
Commodity	73.5	78.9xd	-0.6	2.23
Energy	37.0	39.5	+0.1	1.37
Equity	103.2	110.4xd	+0.2	3.31
European Spec. Sits.	70.5	75.4	+0.4	0.32
Extra Income	95.8	102.4		6.75
Financial	218.5	232.9	+1.0	2.16
Gilt Income	97.4	102.0xd	-0.8	8.75
Gold Income	50.4	53.8	—	2.31
Gold Acc.	91.9	98.3	—	2.31
Income	64.5	69.3xd	-0.2	5.56
Japan	53.3	56.9	-0.3	0.10
Malaysia & Singapore	18.9	20.2	-0.1	1.38
Pacific Income	63.9	68.4	-0.2	0.10
Pacific Re Inv	78.2	83.7	-0.3	0.10
Preference Share	16.6	17.9		9.70
Special Sits	76.6	82.4	-0.3	0.98
Technology	44.6	47.7	+1.0	0.10
UK Capital	52.9	56.6	+0.1	2.35
World Income Fund	48.2	51.6	+0.2	7.33
Worldwide Capital	118.0	125.9	+0.5	2.00
Equity Exempt Nov 19	67.2	71.7xd	—	2.15
Equity Ex Acc Nov 19	126.0	134.4	—	2.15

Touche, Remnant Unit Trust Mngt Ltd
Mermaid Hse, 2 Puddle Dock, EC4   01-248 1250

TR American Growth	30.9	33.3	+0.5	0.91
TR General Growth	43.5	46.8	-0.1	3.02
TR Global Tech.	33.6	36.1xd	+0.4	0.1
TR Income Growth	49.7	53.5	-0.2	5.35
TR Income Monthly	40.4	43.3		7.27
TR Japan Growth	25.5	27.2	-0.1	0.18
TR Overseas Growth	34.6	37.2	+0.3	1.57
TR Smaller Cos.	47.1	50.4	+0.2	2.03
TR Special Ops.	50.5	54.1	+0.1	1.90

Trades Union Unit Trust Managers
100 Wood Street, London EC2   01-628 8011

TUUT Nov 1	148.8	256.7	—	3.67

Transatlantic and Gen. Secs. (c) (y)
91-99 New London Rd, Chelmsford   0245-51651

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Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL   0793 28291

Fixed Int. Dep Acc.	211.0	222.2		—
Equity Acc.	538.2	566.6		—
Property Acc	307.9	324.2		—
Far East Acc.	106.4	112.0		—
Managed Cap	279.2	293.9		—
Managed Acc	443.2	466.6		—
O'seas Earnings Acc.	351.6	370.2		—
Gilt Edged Acc.	243.1	255.9		—
American Equity Acc	317.5	334.3		—
American Man Acc.	154.9	163.1		—
American Prop Acc.	121.9	128.4		—
Pen. F.I. Dep. Cap	231.9	244.2		—
Pen. F.I. Dep Acc.	351.5	370.1		—
Pen. Prop. Cap.	373.4	393.1		—
Pen Prop. Acc.	625.2	658.2		—
Pen. Man. Cap	558.1	587.5		—
Pen Man. Acc.	933.2	982.4		—
Pen. Gilt Edg. Cap	252.1	265.4		—
Pen Gilt Edg. Acc.	344.5	362.7		—
Pen. Eq Cap.	880.7	927.1		—
Pen. Eq Acc.	1116.1	1174.9		—
Pen Am Eq Cap	119.8	126.2		—
Pen Am. Eq Acc.	128.1	134.9		—
Pen. Far East Cap	116.1	122.3		—
Pen. Far East Acc.	124.0	130.6		—
Pen. B.S Cap.	243.6	255.8		—
Pen. B.S. Acc.	359.2	377.2		—
Pen D.A.F. Cap.	195.4	195.4		—
Pen D.A.F. Acc.	256.8	256.8		—
Pen. Mortgage Cap	109.7	115.5		—
Pen. Mortgage Acc.	117.2	123.4		—

Ambassador Life Ass. Co Ltd
80 Holdenhurst Rd, Bournemouth   0202 292345

Equity Fd Acc.	107.0	112.7		—
Equity Fd Cap.	100.4	105.7		—

Baltic Assurance Funds
11 New Street, London EC2M 4TP   01-493 9899

Managed Growth	202.51	213.17		—
Managed Income	100.28	105.59		—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7   01-534 5544

Barclaybond	[illegible]			

Confederation Life Insurance Co
50 Chancery Lane, WC2A 1HE   01-242 0282

Life Funds

Managed Fund	510.3	537.1		—
Equity Fund	602.2	633.8		—
International Fund	187.9	197.7		—
Fixed Interest Fund	167.4	176.2		—
Property Fund	121.5	127.8		—
Index Linked Fund	108.2	113.8		—
Cash Deposit Fund	121.3	127.6		—
PIP Fund		1,655.0		—

Individual Pension Funds

Personal Pen Managed	307.5	323.7		—
Stallguard Managd Pen	307.5	323.7		—

Group Pension Funds

Group Mixed Pension		820.6		—
Equity Pension		1352.6		—
International Pension		252.3		—
Fixed Interest Pension		633.3		—
Property Pension		483.4		—
Index Linked Pension		118.8		—
Cash Deposit Pension		162.7		—

Continental Life Insurance PLC
64/70 High St, Croydon CR0 9XN   01-680 5225

Equity Acc	255.3	268.8		—
Property Acc	243.9	256.8		—
Int Acc	174.1	183.3		—
Managed Acc	221.0	232.7		—
Spec Sits Acc	190.7	200.8		—
Investment Tst Acc	109.0	114.8		—
Pen Int Acc.	184.1	193.8		—
Pen Prop Acc	311.6	328.1		—
Pen. Equity Acc.	386.5	406.9		—
Pen Mixed Acc	244.7	257.6		—
Pen F & C Man Acc.	108.3	114.0		—
Pen Inv Trust Acc	126.4	133.1		—

Prices for other funds available on 01-377 8682

Cornhill Insurance PLC
57 Ladymead, Guildford   0483 68161

4 Equity Fd Dec 11	199.0	209.5		—
Fixed Int Dec 11	151.5	159.5		—
Man Growth Dec 11	425.5	448.0		—
Money Fd Dec 11	134.0	141.5		—
Cap Fd Nov 15		371.5		—
G.&S. Spec. Fd Nov 15		137.0		—

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3

Hambro Generali UK Gth	92.2			
Hambro Generali Ppty	95.0			
Hambros Canadian	97.7			
Hambros Equity Inc	92.9			
Hambros European	99.3			
Hambros High Income	94.0			
Hambros Jpn & Far East	99.6			
Hambros Nth American	100.7			
Hambros Res & Assets	94.2			
Hambros Scandinavian	97.4			
Hambros Smaller Cos.	93.4			
Generali Intnl Managed	229.2			
Generali Int Mgd Pens	95.0			
Generali Cash	95.3			

General Portfolio Life Ins. Plc
Crossbrook St, Cheshunt, Herts.

Portfolio Fd Acc	346.0			
Portfolio Fd Inst	261.6			
Portfolio Fd Inv A	345.9			
UK Equity	155.5			
Overseas Equity	123.0			
Smaller Companies	102.7			
Gilt Plus	109.0			
Gilt Plus BB	106.4			
Fixed Int Dep	105.8			
Managed	136.2			
Inter Man	126.2			

Gresham Unit Assurance Ltd
2-6 Prince of Wales Rd, Bournemouth

Managed Fd	352.4			
Money Fd.	176.2			
Equity Fd.	298.7			
Fixed Int. Fd.	133.0			
Property Fd	200.2			
Managed Pen Fd	353.4			
Equity Pension Fd.	215.7			
Fixed Int. Pen Fd.	198.2			
High Yield Pen Fd	199.4			
Money Pension Fd.	158.1			
Property Pension Fd.	154.6			

Gresham/Framlington

American & Gen. Fd	274.5			
Capital Fd.	326.2			
Income Fd.	291.5			

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ..... $14.10 | +0.07 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ..... $14.72 | +0.15 | —
Inv. Adv. M & G Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ..... $12.76 | | —
Dynamic Grth Fd ..... $11.16 | +0.03 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ..... $10.29 | 10.89 |

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.30			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fnd	11.38	8.51	12.44	6mth
7-day Fnd	11.68	8.73	12.77	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	10.99	8.22	11.99	6-Mth
7-day Fund	11.15	8.39	12.16	6-Mth
Dollar	6.75	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc	11.00	8.00	11.78	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.00	8.22	12.11	Qtr
Mth. Inc. Chq.	11.000	8.22	12.18	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	11.50	8.60	12.78	mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	11.00	8.22	12.20	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
[illegible]	11.00	8.25	12.31	Qtr
[illegible] 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	11.36	8.49	12.52	Qtr
Money Acc	11.03	8.25	12.15	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	11.00	8.22	12.20	Mth
Over £10,000	11.25	8.41	12.49	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 1SE 0752 24141				
High Int Chq Acc	11.63	8.69	12.83	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase, all ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	38	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	170	**Oils**	
Guardian	60	Brit Oil & Min	3½
GKN	20	Brit Petroleum	45
Hanson Tst	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Brazilian drought fears lift coffee price

By Ann Charters in Sao Paulo

THIS YEAR'S Brazilian drought is likely to cut 1986-87 production of coffee in Sao Paulo State, which accounts for some 30 per cent of the country's crop, by about 5m bags (60 kilos each), according to an official at the state's Institute of Agricultural Economics.

Dr Antonio Armaro said an official estimate being prepared for release at the end of this week was expected to put the Sao Paulo crop at between 3m and 3.2m bags, down from 8.2m for 1985-86.

He was commenting on reports circulating in world markets that Sao Paulo officials were estimating the state crop at only 2m bags. These reports prompted a sharp rise in prices which took the March position on the London futures market to £2,324 a tonne, up £176.50 on the day.

Recent market estimates have put the total 1986-87 Brazilian coffee crop at between 13m and 16m bags, down from about 30m in 1985-86. The Brazilian Coffee Institute is due to issue a full forecast later this week.

● THAILAND was expected today to offer tin for sale at 21 ringgit a kilo, setting its own reference price for the first time since tin trading was suspended on the London Metal Exchange and the Kuala Lumpur Tin Market, writes Boonsong K'Thana in Bangkok.

Sivavong Changkasiri, director general of the Department of Mineral Resources, said that the price is based on current trading prices in the region. It is the equivalent of about £6,000 a tonne.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

	(tonnes)
Aluminium	−550 to 220,200
Copper	−275 to 183,750
Lead	+575 to 58,650
Nickel	+246 to 5,160
Tin	+185 to 56,520
Zinc	+2,075 to 30,800
	(ounces)
Silver	−14,000 to 51,156,000

● TEA offerings at yesterday's weekly London auction met more general demand, according to the Tea Brokers' Association of London, but prices were little changed. Quality and medium grades averaged 175p and 125p a kilo respectively, both unchanged from last week's sale. Low medium grade averaged 93p a kilo, up 3p. There were 35,010 packages on offer including 3,600 in the offshore section.

● FISHERIES Ministers of the EEC yesterday began their annual talks on the size of quotas and prices for the coming year with expert scientific advice proposing large cutbacks to protect certain key species, reports Reuter from Brussels.

Expert evidence shows that stocks of mackerel and cod, particularly in the North Sea, have been endangered by overfishing. Fishermen have increased catches of mackerel as other stocks in waters have become closed to them under the quota system.

But, although at least 60 per cent of the total of EEC quotas are likely to remain unchanged, the talks are expected to be long and difficult, possibly lasting three days, diplomats said.

Africa still facing food crisis, UN body warns

BY OUR COMMODITIES STAFF

GOOD HARVESTS in many African countries this year should not be allowed to divert attention from the need to assure long term food security on the continent, Mr Edouard Saouma, director-general of the UN Food and Agriculture Organisation, warned yesterday.

In a statement issued in Nairobi, Kenya, Mr Saouma said Africa was facing a critical transition period. Following the best rains for many years "the transformation of the drought-stricken countries has been spectacular," he said, but unless the continent strengthened its farming sector next year it would "speed headlong to another catastrophe."

Unless food production was stressed, livestock herds replenished and reserves built up, a continent that was able to feed itself two decades ago risked becoming irreversibly dependent on outside food aid.

"Another famine could easily arise from the persistence of widespread malnutrition in Africa," the FAO chief warned. "All that it would take is another drought, and it would be foolish not to expect another drought.

"We were lucky this emergency came at a time of cheap and widespread food surpluses elsewhere. But what if the monsoon had failed at the same time?"

Mr Saouma's statement coincided with the release of the organisation's twelfth and final monthly report on the famine emergency. The first report, last January, said more than 30m people in 21 African countries were faced with starvation. But yesterday's emergency list contained only six countries—Angola, Botswana, Cape Verde, Ethiopia, Mozambique and Sudan.

"Obviously food supply prospects for Africa in 1986 are very much better than last year," commented Mr Peter Newhouse, the British economist who compiled the FAO's monthly reports, "but the fact that the rains have returned does not mean the African food crisis is over."

He said in spite of "decent rains" this year Ethiopia and Sudan would still need emergency relief in 1986 for the thousands of people displaced by the long drought and because harvests were sparse in some areas as a result of late planting and seed shortages. The problems of Angola and Mozambique were due more to the civil wars which have disrupted food production and distribution than to drought. Cape Verde and Botswana were still gripped by drought.

The report shows Zimbabwe as the main bright spot with a 1985 cereal crop of 3.5m tonnes expected of which some 1.2m tonnes should be available for export. Smaller surpluses are also expected in Kenya and Malawi.

The FAO is undertaking an in depth study of Africa's food and agriculture problems which will be examined next month in a consultation with independent African experts. The study, which Mr Saouma said would "put forward concrete measures . . . to intensify food production, particularly through the wider use of modern inputs," will be presented to the African Regional Conference next September.

Jamaican bauxite output down

BY CANUTE JAMES IN KINGSTON

JAMAICA'S bauxite output for the first three-quarters of 1985 totalled 4.715m tonnes, 33 per cent below output for the corresponding period of 1984, according to the Jamaica Bauxite Institute, a state agency which monitors the industry.

The institute reported that output of alumina during the nine-month period this year was 1.23m tonnes, 3.4 per cent below production between January and September of 1984.

It said the fall in bauxite output reflected the ending of contracted supplies of ore to the US Government for its strategic mineral stockpile, and the closure of mines in June, 1984, by Reynolds Jamaica, a subsidiary of Reynolds Metals of the US.

Third quarter bauxite output was 1.61m tonnes, which the institute said was 3.2 per cent below the previous quarter, and 9.1 per cent less than the corresponding period of 1984.

Refinery output between July and September, 1985, was 415,077 tonnes, a fall of 3.7 per cent on the previous quarter, and 28 per cent below July to September, 1984.

The institute is forecasting total bauxite output for 1985 at 6.1m tonnes. Actual output in 1984 was 8.734m tonnes.

This year's performance by the Jamaican industry, the third largest after Australia and Papua New Guinea, has also been affected by the closure of two refineries.

The Aluminium Company of America (Alcoa) closed its 800,000 tonne per year plant in central Jamaica in February, saying the market was weak. The facility was reopened in July after it was leased by Clarendon Alumina Products, a state company, which gave Alcoa a management contract to run the plant.

The island's largest refinery, Alumina Partners of Jamaica, was closed in August by its owners, Reynolds Metals and Kaiser Aluminum.

Malaysia expects palm oil market to remain firm

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA EXPECTS crude palm oil prices to remain firm in the coming months now that the peak production period is over, Datuk Paul Leong, the Minister of Primary Industries, said yesterday.

Other reasons for the firmer price trend include extensive floods during the current monsoon season, which have reduced harvesting, an anticipated lower soya bean crop from Brazil due to drought and speculation (now confirmed) in the US that the new Farm Bill would freeze loans to soya bean farmers at current levels for 1986 and 1987.

Crude palm oil (CPO) prices on the Kuala Lumpur Commodities Exchange had risen from a low of 661 ringgit ($275) per tonne in October to the current 854 ringgit.

The Malaysian Treasury has projected an average price of 1,000 ringgit per tonne for cpo for 1986.

Malaysian CPO production hit an all-time high of 548,000 tonnes last October, which was 31,000 tonnes more than that of last September and 112,000 tonnes higher than the same month last year.

However, the November output has dropped to 460,000 tonnes, and this decline is expected to continue until April.

Datuk Leong also announced Malaysia will step up promotion efforts in the US to regain its former market share.

He said the US imported 100,000 tonnes of palm oil from Malaysia during January to October, and indications showed a very strong buying trend in November and December, especially for palm kernel oil.

"The US bought 400,000 tonnes of palm oil from US in 1975, and we want to regain this market," he said, adding he expected CPO prices to be about $100 a tonne lower than soya bean oil during 1986.

Bumper US soyabean crop predicted

By Mary Frings in Dallas

THE US soyabean crop is expected to be well above the 1984 level of 1.86bn bushels, despite hurricane and flood damage in Georgia and South Carolina.

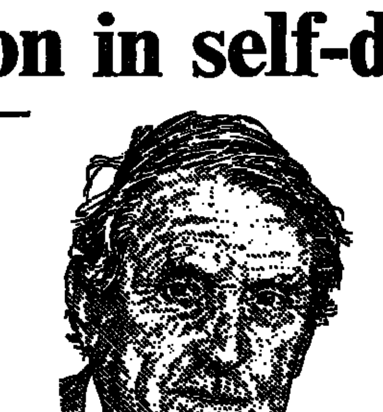
In Georgia where the harvest is usually completed by the end of November, 34 per cent of the crop is still in the fields. But with record yields in Illinois, Iowa and other major producing states the national total will not be less than 2.1bn bushels, according to Mr Ken Bader of the American Soyabean Association.

Stocks are already high as a result of low prices and reduced exports in the 1984-85 marketing year. In September the carryover of old crop soyabeans totalled 318m bushels.

US soyabean prices have remained competitive in the world market because the minimum guaranteed price under the federal farm loan scheme has been historically low.

A French lesson in self-defence

Farmer's viewpoint: By John Cherrington



ABOUT THREE years ago I helped one of my sons to set up an export trade in young pigs for fattening on French farms. The reason was that demand in Britain was at the lowest level for several years whereas we had established that a demand existed in Northern France for pigs of that category. There had been a continuing trade in breeding stock for some years but no one had yet tried to export commercial pigs.

Trading agricultural products with the French has numerous pitfalls not normally encountered in orthodox trading. It was essential to get the agreement of the farmers organisations in the areas to which we were to direct our efforts. French farmers can be extremely militant when defending their interests and are not inclined to support the principle of free trade unless it holds the promise of benefit to themselves.

This came to light with our first contact. He was a feed merchant in Normandy with a sizeable business supplying store pigs and feed to farmers. Our negotiations went swimmingly for a while but before he could send us his first firm order he cried off. He was very distressed about the whole affair he said, but facts had to be faced.

What he had to face was the angry reaction of the local farmers who believed that by importing British stock he would force down the prices he paid to local suppliers. He had already incurred great hostility by planning a large breeding set-up of his own. Manifestations of this hostility had included threats to burn down his buildings and in cancelling the project he had probably taken the wiser course.

French farmers are, for the most part, keen co-operators. They believe that most private traders are out to exploit them and they are quick to spot any action on the part of a trader which could conceivably harm them. They think the worst first and seldom change their minds.

It was obviously no good persuing private traders, who were in any case thin on the ground. So a co-operative in Britanny was contacted and immediately became interested.

Britanny is the main producer of both pigs and poultry and is extremely well organised co-operatively. They needed the pigs and several farmers' groups came to my son's farm and liked what they saw.

While this softening up process was going on, however, he had to overcome considerable bureaucratic obstacles.

British Ministry of Agriculture vets, who had to monitor the pigs' well-being were fearful of an outcry from the animal protection lobby such as which attended calf exports some years before. They were treading new ground for no one had tried to export such small pigs previously. Then the French farmers' organisations had to be persuaded that this was not an attempt to put them out of business but simply to fill a gap in their supply of young pigs.

Before the first load was dispatched the importing co-operative had to make sure that the shipment would not be interfered with as it went through Normandy towards its destination. As a precaution the pigs were transferred in the Cherbourg dock area to a French livestock lorry, just in case the vigilantes had not been informed.

This first shipment was a success and was followed by a second directly into St Malo. It looked as though our efforts were going to be rewarded. We had met a lot of nice people, and had developed quite a taste for Calvados.

Then the blow fell. Almost overnight the franc fell from about 10.20 to the pound to nearly 12. The 10 per cent fall in our returns this caused was more than the trade could bear and we have been out of the market ever since.

I do not suppose that this devaluation of the franc was engineered specifically to torpedo our little business, but there is no doubt that it automatically increased the protection of French pig breeders, in much the same way as an import duty would have done.

If the world of agriculture had been a perfectly free market we might have used the relative strength of sterling to import supplies of something or other from France. This was possible for a while. Fungicides and some weed killers were cheaper in France than in Britain although both were made by the same multinational companies. We did not cotton on to this very quickly but a number of farmers took advantage of it and combined a holiday in France with a shopping spree for cheap chemicals.

But before this happy state of affairs could be enjoyed by all, the vested interests involved arranged things so that the complications and costs of importing chemicals in this freelance way nullified the advantages to be gained.

There are some lessons to be learned from this simple tale. Firstly, that the instability of interest rates makes nonsense of any long term export or import strategy. And secondly, that market research should include an appreciation of the strength of the opposition, both legal and illegal—of possible competitors, a competitor in this instance can be defined as one who thinks his interests will be injured by your activities.

Perhaps most fundamental, however, was the effect of inviting Breton farmers to see how the pigs were being produced. They are now adopting some of our techniques themselves and it is doubtful if this export opportunity will ever return. The moral being that customers should always be kept at a distance.

LONDON MARKETS

ANOTHER strong performance from aluminium led a general advance in base metal prices on the London Metal Exchange yesterday. Three-month aluminium closed at £817.50 at the end of kerb trading, £56 up on the day, reflecting a widespread belief in good demand for the metal in 1986. But traders said that much of the price increase reflected buying by those with short positions in the market. Zinc and nickel prices also posted notable increases, reflecting the view that the recent fall in prices had gone too far. On the London Commodity Exchange, the sugar and cocoa markets were generally quiet. The coffee market continues to dominate trading with prices rising in response to ever more pessimistic forecasts of next year's Brazilian crop.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	792-3	+55	774/774
3 months	817-8	+56	819/775

Official closing (am): Cash 774-.5 (732.5-3); three months 799-800 (756.5-7); settlement 774.5 (733). Final Kerb close: 818-19. Turnover: 47,300 tonnes.

COPPER

Official closing (am): Cash 984-5 (967-.5): three months 1005-.5 (989-90); settlement 984.5 (967.5). Final Kerb close: 1006-7.

Official closing (am): Cash 979-80 (961-3); three months 993.5 (979-81); settlement 980 (963). Turnover: 38,275 tonnes. Producer prices 97/72 cents per pound.

LEAD

Official closing (am): Cash 273.5-4 (270-.5); three months 280-.5 (276-.5); settlement 274 (270.5). Final Kerb close: 283-3.5. Turnover: 11,500 tonnes. US Spot: 18.15/20 cents per pound.

NICKEL

Official closing (am): Cash 3029-30 (2825-35); three months 3060-5 (2865-70); settlement 3030 (2835). Final Kerb close: 3130-35. Turnover: 1,842 tonnes.

ZINC

Official closing (am): Cash 487-9 (474-5); three months 489-91 (474.5-5); settlement 489 (475). Final Kerb close: 502-03. Turnover: 18,450 tonnes. US Prime Western: 34/35.75 cents per pound.

GOLD

Gold rose $1 to $319¼-319¾ on the London bullion market yesterday, finishing at the day's peak. The metal opened at $318¼-318¾, and was fixed at $318.25 in the morning and $318.60 in the afternoon. It fell to a low of $318-318½.

GOLD BULLION (fine ounce) Dec 16

Close	$319¼-319¾	
Opening	$318¼-318¾	
M'ni'g fix	$318.25	
Aft'n'n fix	$318.60	

GOLD AND PLATINUM COINS

SILVER

Silver was fixed 0.6p an ounce lower for spot delivery in the London bullion market yesterday at 406.3p. US cent equivalents of the fixing levels were: spot 584.25c, down 3.1c; three-month 595.2c, down 2.85c; six-month 606.25c, down 3.8c; and 12-month 627.85c, down 3.55c. The metal opened at 407-409p (585-587c) and closed at 406-408p (584-586c).

LME—Turnover: 12 (80) lots of 10,000 oz.

Three months final kerb 418-20p.

MEAT

Prices closed on a steady note due to steadier physicals, reports CCST Commodities.

Sales: 23 (1) lots of 50 carcases, 3,250 kg.

INDICES

FINANCIAL TIMES

Dec. 16	Dec. 13	M'th ago	Year ago
—*	—*	—*	288.31

(Base: July 1 1952 = 100)

REUTERS

Dec. 16	Dec. 13	M'th ago	Year ago
1791.0	1775.9	1736.8	1903.1

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Dec. 13	Dec. 12	Month ago	Year ago
Spot	129.46	121.94	—	123.35
Fut.	127.06	125.67	—	124.16

(Base: December 31 1974 = 100)

* Not available due to suspension of tin LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	Dec. 16 1985	+ or −	Month ago
Aluminium	£1100		£1100
Free Mkt.	$1178/00	+60	$988/1010
Copper			
Cash h Grade	£985.25	+5.25	£959
3 mths	£1005.5	+3.75	£977.75
Gold Troy oz.	$319.5	+1	$324
Lead Cash	£276	+5.5	£274.5
3 mths	£283.25	+5	£277.5
Nickel			
Free Mkt.	187/217c	+12	195/225c
Palladium oz.	$95.00	+0.75	$99.75
Platinum oz.	$330.25	−1	$332.45
Quicksilver†	$265/275		$280/285
Silver troy oz.	406.30p	−0.60	427.65p
3 months	417.50p	−0.30	439.45p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$67.77		$70.28
Wolfram 22.0lb.	$56/64		$60/65
Zinc	£503	+22.5	£418.5

‡ Unquoted. x Dec-Jan. † Per 75 lb flask. c Cents per pound. z Jan.

COCOA

Volume of trade was light and futures remained locked in a narrow range. Physicals failed to attract producers or consumers in major way and little business was noted, reports Gill and Duffus.

COFFEE

The market opened about £20 higher and rose during the morning. The rise continued with spill-over buying from a limit-up New York and prices were boosted further by a report that the Sao Paulo state 1986-87 crop would be less than 2m bags.

FREIGHT FUTURES

The market opened unchanged and lack-lustre due to the lack of reported physical business and closed little changed, reports Clarkson Wolff. The Baltic Freight Index was 802.5, down 4.5.

Turnover: 12 (78)

GRAINS

Wheat remained in a range, 10p either side of unchanged, in typically thin pre-Christmas trading. Both physical and fob markets were featureless. Barley was a touch steadier but extremely quiet, reports Muirpace.

COTTON

LIVERPOOL—Spot and shipment sales for the week ending December 13 totalled 958 tonnes against 1,085 tonnes in the previous week. Business took place in American, Pakistani, West African and Russian varieties.

US MARKETS

PRECIOUS METALS showed a steady to firm tone linked to continued speculation over a discount rate cut along with dollar weakness, reports Heinold Commodities. Copper and aluminium moved sharply higher on low stock levels and reports of good Far Eastern offtake. Sugar traded mixed with light trade support evident. Downward revision in crop forecasts for Brazil put coffee values at limit-up levels. Cocoa firmed on manufacturer pricing and the potential for a shortfall in West African crops. Cotton traded mixed with new crop sharply lower on the Farm Bill provisions. The energy complex gained ground on cooler temperatures in the North east and on light physical inquiry for crude. The grain complex advanced with maize and wheat benefiting from reports of export inquiry. Soyabeans where higher on dry conditions in Brazil.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	53.25	52.70	51.80	49.75
Jan	53.55	—	—	48.90
Feb	53.95	—	—	52.55
March	54.30	54.50	52.70	50.65
May	54.90	54.65	53.50	51.30
July	55.50	55.30	54.20	52.60
Sept	56.15	—	—	52.70
Dec	57.15	—	—	53.75

CHICAGO

POTATOES

The market opened weaker, trading 70p down, basis April, before buying interest in the volume erased the losses. Further gains were made before prices dipped again towards the close, reports Coley and Harper.

Sales: 131 (647) lots of 40 tonnes.

SOYABEAN MEAL

The market opened 30p higher in quiet trading conditons, reports T. G. Roddick. Prices firmed on professional buying due to concern over growing conditions in South America.

	Yesterday close £ per tonne	+ or −	Business Done
Dec.	—	—	—
Feb.	127.7-128.0	+0.80	128.0
Apr.	128.8-129.2	+1.05	129.0
June	125.2-125.5	+1.70	—
August	123.8-125.8	+1.25	123.6
October	124.5-126.0	+1.25	—
Doc.	126.2-126.5	+1.25	—

Sales: 95 (284) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $144.00 (£100.00), up $5.00 (up £3.50) a tonne for December-January delivery. White sugar $177.50, up $3.50.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	194.8-195.2	194.8-196.2	196.0-191.8
May	168.8-169.0	169.0-169.4	169.8-167.4
Aug	174.0-175.0	172.8-175.0	176.0-171.8
Oct	176.2-178.6	177.6-178.2	178.2-177.2

Sales: 1,369 (1,831) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £203.50 (£200.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for December 13: Daily price 5.45 (5.40); 15-day average 5.55 (5.58).

PARIS—(FFr per tonne): March 1408/1410, May 1435/1437, Aug 1480/1488, Oct 1520/1530, Dec 1545/1555, March 1591/1610.

OIL

Crude oil trading activity was limited to a low deals in January and February unleaded Brent. There was some cautious inquiry for late December and early January North Sea cargoes. Nymex WTI opened 24c up for January but traded only 17c up at 1.00 pm EST. In the petroleum products market naphtha fell on a surplus of prompt cargoes. Gas oil prices firmed with most Russian prompt physical cargoes already fixed—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Jan.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	26.35-26.45	+0.05
Brent Blend	26.28-26.35	+0.175
W.T.I. (1pm est)	27.50-27.60	+0.30
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	260-265	—
Gas Oil	247-248	+5
Heavy fuel oil	132-135	—
Naphtha	253-254	−2.5

*December

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or −	Business Done
Jan	244.50	+3.00	245.25-43.50
Feb	238.50	+2.25	240.75-36.00
Mar	228.25	+2.25	230.25-26.25
Apr	216.50	+1.75	221.00-16.00
May	206.00	—	208.00-06.00
June	204.00	—	206.00-04.00
July	203.50	−1.00	—
Aug	205.00	—	208.25-05.00

Turnover: 2,229 (1,734) lots of 100 tonnes.

Index, $ a barrel. (Close, change, business done): Index 26.28, −0.21; Jan 26.10-26.50, +0.30, 26.30; Feb 25.20-25.40, +0.10, 25.40; March 24.40-25.00, −0.10, untraded; April 24.10-24.80, −0.05, untraded; May 24.00-24.60, +0.35, untraded.

Turnover: 3 (1) lots of 1,000 barrels.

RUBBER

PHYSICALS — The London market opened unchanged, attracted very little interest throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): spot 57.00p (same). Jan 54.75p (same). Feb 55.25p (same). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg RSS No 1 was 180.5 (181.0) and for SMR 20 171.0 (same).

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar waits further guidance

The dollar was slightly higher overall in quiet end of year trading. Light commercial demand gave the dollar support when New York opened, but there was no strong direction to the foreign exchange market. A rise of 0.2 per cent to 80.1 per cent in November US industrial production was offset by a downward revision in the October figure to 79.9 per cent from a previous estimate of 80.2 per cent, and had no impact. Dealers were waiting for further guidance on US interest rates, and whether today's meeting of the Federal Open Market Committee will herald a cut of ½ per cent to 7 per cent in the Federal Reserve's discount rate. The market already suspects an easing of monetary policy and that Friday's flash estimate of fourth quarter US Gross National Product growth may be the catalyst to produce a cut in the discount rate. GNP growth of around 2-3 per cent has been forecast, indicating continued sluggish performance by the economy.

The dollar advanced to DM 2.5230 from DM 2.5205; SFr 2.1125 from SFr 2.1075; and Y202.60 from Y202.50, but fell to FFr 7.7175 from FFr 7.7250.

On Bank of England figures the dollar's index rose to 127.4 from 127.1.

STERLING — Trading range against the dollar in 1985 is 1.4885 to 1.0525. November average 1.4408. Exchange rate index rose 0.1 to 78.8. It opened unchanged at 78.7, and touched a peak of 78.9 at 3 pm, but was at 78.8 for most of the day.

Sterling showed little movement throughout. Oil price fears continued to recede, and the pound gained support from the high level of London interest rates. Sterling traded within a narrow range of $1.4330 to $1.4390, and closed 10 points higher on the day at $1.4375-1.4385. It also improved to DM 3.6275 from DM 3.6225; SFr 3.0375 from SFr 3.0275; and Y291.25 from Y291.00, but fell to FFr 11.0975 from FFr 11.10.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.5110. November average 2.5926. Exchange rate index 129.9 against 121.9 six months ago.

There was no sign of the D-mark moving outside its recent trading range against the dollar. The German Bundesbank is expected to keep the dollar below DM 2.55, but also resist any move below DM 2.50, on fears that any further sharp decline by the dollar could begin to hit German exports. It is also believed that the central bank wishes to prevent any early strains within the EMS caused by demand for the D-mark. The European monetary authorities are thought to be reluctant to cause embarrassment for the French Government by forcing a devaluation of the franc ahead of general elections to be held in March next year. Dealers also suspected that the downward drift in German interest rates may continue for the same reason. Trading was dull on the foreign exchanges yesterday, with operators reluctant to take out new positions ahead of the new year. The dollar closed fairly near the day's peak of DM 2.5290 in Frankfurt, finishing at DM 2.5280, compared with DM 2.5195 on Friday. Earlier in the day the Bundesbank did not intervene when the dollar was fixed at DM 2.5224.

£ IN NEW YORK

	Dec. 16	Prev. close
£ Spot	$1.4330-1.4400	$1.4550-1.4560
1 month	0.48-0.44pm	0.42-0.40pm
3 months	1.29-1.25pm	1.25-1.23pm
12 months	4.56-4.40pm	4.35-4.28pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Dec 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4330-1.4390	1.4375-1.4385	0.48-0.46c pm	3.88	1.29-1.25 pm	3.53
Canada	1.9988-2.0060	2.0017-2.0049	0.54-0.34c pm	2.64	1.30-1.10 dis	2.40
Nethlnd.	4.07½-4.09¾	4.08½-4.09½	2½-1⅞c pm	6.42	6-5¾ pm	5.50
Belgium	73.75-74.16	74.00-74.10	25-15c pm	3.24	60-45 pm	2.84
Denmark	13.12½-13.18¾	13.15¼-13.16¼	4-2⅝c pm	3.02	9¾-8¾ pm	2.74
Ireland	1.1723-1.1779	1.1759-1.1769	0.24-0.11p dis	1.79	0.44-0.10 dis	0.92
W. Ger.	3.61¾-3.63½	3.62¼-3.63¼	2½-2⅛c pm	7.65	6¾-5⅞ pm	6.62
Portugal	229-233	229¼-232¼	145-440c dis	−15.21	445-1250dis	−14.69
Spain	224¾-225¾	224¾-225¾	30-75c dis	−2.80	190-310 dis	−4.44
Italy	2467-2483¾	2473-2475	13-21 lire dis	−8.25	24-37 dis	−4.93
Norway	11.03½-11.07	11.05¾-11.06¾	½-1¾ore dis	−1.15	1⅞-3¼ dis	−0.90
France	11.06½-11.11½	11.09¾-11.10¾	1½c pm-1½ dis	—	½pm-2½dis	−0.43
Sweden	11.06½-11.11	11.08¾-11.09¾	½-1¾ore dis	−1.16	1¼-2¾ dis	−0.70
Japan	290½-291½	290¾-291¾	1⅛-¾y pm	3.86	3¼-2½ pm	3.86
Austria	25.45-25.54	25.49-25.54	10¼-8⅛gro pm	4.58	32¾-27⅞ pm	4.72
Switz.	3.02¼-3.04¾	3.02¾-3.03¾	2¾-1⅞c pm	7.18	5¾-5⅛c pm	7.19

Belgian rate is for convertible francs. Financial franc 74.35-74.45. Six-month forward dollar 2.53-2.48c pm, 12-month 4.50-4.35c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4330-1.4390	1.4375-1.4385	0.48-0.45c pm	3.88	1.29-1.25 pm	3.53
Ireland†	1.2190-1.2250	1.2227-1.2235	0.26-0.16c pm	2.06	0.95-0.65 pm	2.61
Canada	1.3915-1.3967	1.3938-1.3943	0.13-0.16c dis	−1.25	0.38-0.43dis	−1.16
Nethlnd.	2.8305-2.8485	2.8445-2.8455	0.58-0.55 pm	2.35	1.42-1.39 pm	1.98
Belgium	51.35-51.80	51.45-51.55	2-5c dis	−0.82	6-12 dis	−0.70
Denmark	9.13-9.17½	9.14¾-9.15¾	½-1ore dis	−0.98	1⅝-2¾ dis	−0.85
W. Ger.	2.5165-2.5290	2.5225-2.5235	0.80-0.75pf pm	3.68	2.00-1.95 pm	3.13
Portugal	160¾-161½	160½-161½	150-350c dis	−18.66	450-1000dis	−18.04
Spain	156.24-156.65	156.55-156.65	75-125c dis	−7.67	275-325 dis	−7.67
Italy	1718-1725½	1720-1721	16-19 lire dis	−12.20	34½-39½ dis	−8.60
Norway	7.68-7.69¾	7.68¾-7.69¼	3-3½ore dis	−5.07	8½-9 dis	−4.55
France	7.70-7.74	7.71½-7.72	1¾-2⅛c dis	−3.31	7-8¾ dis	−3.96
Sweden	7.68¾-7.71½	7.70¾-7.71¼	3-3½ore dis	−5.06	8-8½ dis	−4.28
Japan	202.35-202.80	202.55-202.65	par-0.03y dis	−0.09	0.16-0.12 pm	0.28
Austria	17.70-17.77	17.75-17.77	1½-⅛gro pm	0.47	5½-2½ pm	0.90
Switz.	2.1030-2.1175	2.1120-2.1130	0.75-0.70c pm	4.12	1.90-1.85 pm	3.55

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible franc. Financial franc 51.70-51.80.

EXCHANGE CROSS RATES

Dec16	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1.	1.438	3.628	291.3	11.10	3.038	4.090	2474.	2.003	74.05
$	0.695	1.	2.523	202.6	7.718	2.113	2.845	1721.	1.393	51.50
DM	0.276	0.396	1.	80.29	3.059	0.837	1.127	682.0	0.552	20.41
YEN	3.433	4.937	12.45	1000.	38.10	10.43	14.04	8494.	6.878	254.2
F Fr.	0.901	1.296	3.269	262.4	10.	2.737	3.686	2229.	1.805	66.75
S Fr.	0.329	0.473	1.194	95.88	3.653	1.	1.347	814.5	0.660	24.38
H FL	0.244	0.352	0.887	71.21	2.713	0.743	1.	604.9	0.490	18.11
Lira	0.404	0.581	1.466	117.7	4.486	1.228	1.653	1000.	0.810	29.93
C $	0.499	0.718	1.811	145.4	5.540	1.516	2.042	1235.	1.	36.96
B Fr.	1.350	1.942	4.899	393.5	14.99	4.102	5.523	3341.	2.706	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Dec. 16	Short term	7 Days notice	Month	Three Months	Six Months	One Year
Sterling	11⅛-11⅜	11⅛-11⅜	11⅜-11½	11⅛-11¾	11⅛-11¾	11⅛-11¾
U.S. Dollar	7¾-7⅞	7⅛-8⅛	7⅞-8⅛	7⅞-7⅞	7⅞-7⅞	8-8⅛
Can Dollar	8¾-9¼	9-9¼	8⅞-9⅛	8⅞-9⅛	8⅞-9⅛	9-9¼
D Guilder	5⅝-5¾	5⅛-5⅛	5⅝-5⅞	5⅛-5⅛	5⅞-6	5⅛-6⅛
Sw. Franc	1-1¼	1⅛-1⅜	4⅜-4⅝	4⅛-4⅛	4¼ 4⅜	4⅛ 4⅛
Deutschmrk	4⅝-4⅞	4⅛ 4⅛	4⅛-4⅛	4⅛-4⅛	4⅛ 4⅛	4⅞-5
Fr. Franc	8⅞-9	9 9½	10⅞-11⅜	11⅝-12⅛	11⅞-11⅞	11-11½
Italian Lire	13-15	17-22	18¼-20¼	16-17¼	15⅛-16½	15-15⅞
B.Fr.(Fin)	7⅝-7⅞	8⅝-8⅝	8⅝-8⅞	8⅝-8⅞	8⅛-8⅜	8⅛-8¾
Br.Fr(Con)	7⅝-7⅞	8⅛-8⅝	8⅝-8⅞	8⅝ 8⅞	8⅛-8¾	8½ 8¾
Yen	7⅛-8⅛	8⅛-8⅛	8⅛-8⅛	7⅝-7¾	7⅛-7⅛	6⅞-7
D. Krone	8-8½	8⅝-9⅛	8⅞-9⅛	8⅞-9⅛	8⅞-9⅛	8⅞-9⅛
Asian $ (Sng)	7⅞-8	7⅛-8⅛	8-8⅛	7⅞-8	7⅞-8	8-8⅛

Long-term Eurodollars: two years 8⅞-8⅞ per cent; three years 8¾-9 per cent; four years 9⅛-9⅜ per cent; five years 9¼-9½ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

CURRENCY MOVEMENTS

Dec. 16	Bank of England Index	Morgan Guaranty Change %
Sterling	78.8	−11.9
U.S. dollar	127.4	+16.3
Canadian dollar	81.4	−11.0
Austrian schilling	120.7	+6.8
Belgian franc	92.4	−9.6
Danish Kroner	83.2	−2.7
Deutsche mark	129.9	+11.3
Swiss franc	150.5	+12.4
Guilder	120.0	+6.6
French franc	69.6	−11.8
Lira	44.7	−19.9
Yen	177.5	+29.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.757264	0.604634
U.S.$	7½	1.08834	0.869161
Canadian $	9.20	*	1.21126
Austria Sch.	4	19.2962	15.4189
Belgian Fr	8¾	55.9848	44.7357
Danish Kr	7	9.95569	7.95847
D'mark	4	2.74532	2.19376
Guilder	5	3.09252	2.47128
French Fr	9½	8.39273	6.70775
Lira	15½	N/A	1496.69
Yen	5	220.715	176.049
Norway Kr	8	8.36335	6.68428
Span'h Pta	—	170.317	135.980
Swedish K	10½	8.38076	6.69862
Swiss Fr	4	2.29662	1.83497
Greek Dr'ch	20½	163.703	130.904
Irish Punt	—	N/A	0.710970

* C$/SDR rate for December 13: 1.51535

OTHER CURRENCIES

Dec. 16	£	$
Arg'tina	1.1500-1.1512	0.8000-0.8010
Aus'alia	2.1015-2.1055	1.4630-1.4645
Brazil	14,166-14,207	9,855-9,905
Finland	7.9100-7.9200	5.4040-5.5060
Greece	215.88-218.53	148.89-152.01
H'kong	11.2075-11.2175	7.8060-7.8070
Iran	122.25*	84.95*
Kuwait	0.4170-0.4175	0.2906-0.2908†
Lux'burg	74.00 74.10	51.45-51.55
Malay'sia	3.4875-3.4975	2.4295-2.4315
N'Z'land	2.9920-3.0020	2.0770-2.0900
Saudi Ar.	5.2375-5.2430	3.6500-3.6510
Sin'pore	3.0450-3.0550	2.1205-2.1225
S.Af.(Cm)	3.7915-3.8115	2.6385-2.6525
S.Af.(Fn)	4.7900-4.9555	3.3335-3.4485
U.A.E.	5.2690-5.2745	3.6720-3.6730

* Selling rate.
† Correction (December 16):—Kuwait $ rate was 0.29095-0.29110.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.7357	−0.21	+1.05	±1.5425
Danish Krone	8.12857	7.95847	−2.09	−0.83	±1.6421
German D-mark	2.23840	2.19376	−1.99	−0.73	±1.1455
French Franc	6.86402	6.70775	−2.28	−1.02	±1.3654
Dutch Guilder	2.52208	2.47128	−2.01	−0.75	±1.5162
Irish Punt	0.724578	0.710970	−1.88	−0.62	±1.6673
Italian Lira	1520.60	1496-69	−.57	−1.24	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FUTURES AND OPTIONS

Trading quiet and dull

Prices were confined to a narrow trading range in the London International Financial Futures Exchange yesterday. Proximity of Christmas and the year end inhibited trading and there were no fresh factors of interest to stimulate much movement. Friday's US fourth quarter flash estimate is the next statistic likely to affect trading but in the absence of any change in the US discount rate, the market was content to show its disappointment by marking down Euro-dollar and US bond prices by a small amount.

With no announcement coming over the weekend about a fall in the discount rate, many participants were resigned to waiting until either next week or next month before a cut. Nevertheless there was little real desire to sell the contracts. Consequently the three-month Euro-dollar price finished at 92.35 for March delivery down from Friday's close and yesterday's opening level, both of 92.36. Similarly the March US Treasury bond price sustained a loss of only 5/32 to 83.05 from 83.10 previously.

A slight easing in US cash rates also helped to restrict the decline of prices in the futures market.

Both gilts and three-month sterling deposits were unimpressed by sterling's slightly firmer showing in currency markets. Once again volume was extremely low in lacklustre trading. Sterling's recent weakness and its apparent vulnerability to fluctuations in the price of oil tended to curtail interest in these instruments and once again the prospect of an early reduction in the level of clearing bank base rates was not uppermost in most people's minds. Three-month sterling deposits for March delivery opened at 88.57 which proved to be the day's high and finished at 88.53, down from 88.59 on Friday.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4380	1.4334	1.4253	1.4130	1.3943

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4370	1.4380	1.4355	1.4365
March	1.4240	1.4255	1.4220	1.4225
June	1.4130	1.4130	1.4100	1.4100
Sept	—	—	—	1.4000
Dec	—	—	—	1.3920

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4240	1.4250	1.4236	1.4245
June	1.4120	—	—	1.4125
Sept	1.4020	—	—	1.4025
Dec	1.4375	1.4376	1.4370	1.4370

Est volume 41 (524)
Previous day's open int 3,631 (3,687)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3960	0.3969	0.3965	0.3959
June	0.4022	—	—	0.4029

Est volume 45 (38)
Previous day's open int 206 (216)

STERLING INDEX

	Dec 16	Previous
8.30 am	78.7	78.8
9.00 am	78.7	78.9
10.00 am	78.8	78.9
11.00 am	78.8	78.9
Noon	78.8	78.9
1.00 pm	78.8	79.0
2.00 pm	78.8	78.9
3.00 pm	78.9	78.9
4.00 pm	78.8	78.7

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	110-23	—	—	111-00
March	110-30	111-02	110-25	111-07
June	111-09	—	—	111-21
Sept	111-18	—	—	111-29

Est volume 1,808 (3,511)
Previous day's open int 5,295 (5,190)
Basis quote (clean cash price of 13¼% Treasury 2004/08 less equivalent price of near futures contract) −4 to +6 (32nds)

10% NOTIONAL SHORT GILT £100,000 64th of 100%

	Close	High	Low	Prev
Dec	96-27	—	—	96-32
March	96-35	96-39	96-37	96-43

Est volume 55 (385)
Previous day's open int 895 (881)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec	88.93	[illegible]	[illegible]	[illegible]
March	88.53	88.57	88.52	88.59
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	—	—	[illegible]

Est volume 638 (1915)
Previous day's open int 7,150 (7,342)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 544 (152)
Previous day's open int 2,629 (2,616)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	92.01	92.02	92.01	92.11
March	92.35	92.36	92.33	92.36
June	92.20	92.21	92.18	92.21
Sept	91.86	91.95	91.92	91.95
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 3,127 (7,058)
Previous day's open int 22,389 (21,126)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	84-11	84-13	84-09	84-10
March	83-05	83-11	83-04	73-10
June	82-09	82-05	82-05	82-05

Est volume 1,433 (3,534)
Previous day's open int 3,466 (3,293)

CHICAGO

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	93.05	93.08	93.04	93.06
March	93.30	93.32	93.25	93.29
June	93.10	93.21	93.15	93.16
Sept	92.96	92.96	92.93	92.90
Dec	92.66	92.67	92.60	92.60
March	92.36	92.36	—	92.32
June	92.10	92.10	—	92.06
Sept	91.86	91.86	—	91.82

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	84-12	84-16	84-10	84-13
March	83-05	83-12	83-02	83-07
June	82-05	82-11	82-02	82-04
Sept	81-10	81-17	81-08	81-08
Dec	80-15	80-22	80-15	80-14
March	80-01	80-02	79-31	79-25
June	79-10	79-20	79-16	79-07
Sept	78-18	78-18	78-18	78-11
Dec	78-07	78-15	78-07	77-00

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.44	92.44	92.35	92.40
March	92.60	92.69	92.60	92.65
June	92.50	92.50	92.45	92.46
Sept	—	—	—	92.18

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.05	92.06	92.01	92.05
March	92.35	92.36	92.32	92.32
June	92.20	92.21	92.18	92.15
Sept	91.90	91.91	91.90	91.87
Dec	91.62	91.64	91.60	91.57
March	91.33	91.35	91.33	91.28
June	91.07	91.07	91.06	91.00
Sept	90.80	90.80	90.79	90.73

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	Jan	Feb	Vol	Puts—Last Dec	Jan	Feb	Vol
1.20	—	—	24.00	—	—	—	—	—
1.25	—	—	18.00	—	—	—	0.30	—
1.30	—	—	15.00	—	—	—	0.60	—
1.35	8.00	8.20	8.20	160	0.25	0.70	1.40	—
1.40	4.30	5.20	5.75	—	0.80	2.00	2.80	13
1.45	1.45	2.25	3.00	60	3.00	4.45	5.50	—
0.45	0.45	1.00	1.50	320	6.80	8.00	8.00	—

Previous day's open interest: Calls 7654 Puts 6106.

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	Jan	Feb	Vol	Puts—Last Dec	Jan	Feb	Vol
1.20	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	—	—
1.35	—	—	—	—	—	—	—	—
1.40	—	—	—	—	—	—	1.90	20
1.45	—	1.10	—	255	—	2.90	—	225
1.50	—	0.25	0.75	370	—	—	—	—

Previous day's open int: Calls 54,516 Puts 57,826

Company Notices

SVERIGES INVESTERINGSBANK AB
(Swedish Investment Bank Limited)
US$15,000,000 7½% Bonds 1981-1986

S. G. WARBURG & CO. LTD., announce that the redemption instalment of Bonds due 15th January, 1986 for a nominal value of US$1,500,000 has been met by purchases in the market.

US3,500,000 nominal amount of Bonds will remain outstanding after 15th January, 1986.

33 King William Street,
London EC4R 9AS
17th December, 1985

TORAY INDUSTRIES, INC.
(formerly Toyo Rayon Kabushiki Kaisha)

S. G. WARBURG & CO. LTD., announce that a dividend of Yen 3.00 per share has been paid to shareholders on the books of the above Company as at 30th September, 1985 in respect of the six month period ended on that date.

Holders of Bearer Depositary Receipts issued by S. G. Warburg & Co. Ltd., may present Coupon No. 6 for payment forthwith at their Bond Department, 33 King William Street, London EC4R 9AS at Banque Internationale à Luxembourg, 2 Boulevard Royal, Luxembourg, subject to deduction of Japanese Withholding Tax and United Kingdom Tax (if any) at the appropriate rates. Details of tax deduction can be obtained from Paying Agents.

S. G. WARBURG & CO. LTD.
As Depositary
17th December, 1985.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN PIONEER ELECTRONIC CORPORATION

We are pleased to announce that copies of the Company's English translated Convocation Notice (dated 5th December, 1985) of the 39th Ordinary General Meeting of Shareholders of Common Stock to be held on 20th December, 1985 in Tokyo are now available to EDR holders upon application to the Depositary and the Depositary's Agent The Bank of Tokyo (Luxembourg) S.A., Luxembourg.

THE BANK OF TOKYO TRUST COMPANY
(London Depositary)
17th December, 1985.

MONEY MARKETS

UK rates show little change

Interest rates were hardly changed in London yesterday in uneventful trading. Volume was already contracting ahead of Christmas and with sterling showing little movement, rates finished mostly unchanged from Friday. Three-month interbank money stayed at 11⅝-11¾ per cent while three-month eligible bank bills were bid at 11$\frac{7}{32}$ per cent also unchanged. Overnight interbank money opened at 11½-11⅝ per cent and rose to 12 per cent before easing to 10½ per cent.

The Bank of England forecast a shortage of around £1,100m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £864m and Exchequer transactions a further £360m. In addition banks brought forward balances £125m below target. These were partly offset by Exchequer transactions which added £265m.

The Bank gave assistance in the morning of £477m comprising outright purchases of £37m of eligible bank bills in band 1 at 11⅝ per cent and £273m in band 2 at 11$\frac{9}{16}$ per cent. In band 3 it bought £1m of Treasury bills and £86m of eligible bank bills all at 11½ per cent. In band 4 it bought £130m of eligible bank bills at 11$\frac{7}{16}$ per cent.

Further help was given in the afternoon of £584m. This comprised purchases of £44m of eligible bank bills in band 1 at 11⅝ per cent, £166m in band 2 at 11$\frac{9}{16}$ per cent, £37m in band 3 at 11½ per cent and £11m in band 4 at 11$\frac{7}{16}$ per cent. The Bank also arranged sale and repurchase agreements on £326m of bills at 11$\frac{7}{16}$-11$\frac{9}{16}$ per cent, unwinding on December 19. The Bank provided late assistance of £60m, making a total of £1,121m.

In Frankfurt the Bundesbank announced its intention to offer funds through sale and repurchase agreements. These will carry a minimum rate of 4.5 per cent. Results of the tender will be made known today and funds allocated tomorrow. The facility is due for repayment on January 22. Tomorrow also sees the repayment of some DM 8.5bn due on previous repurchase agreements. Call money was quoted at 4.30 per cent with dealers unsure whether the authorities' recent action to keep short term liquidity in good supply was to offset end of year tax payments and a traditional rise in the note circulation or whether there was a desire to avoid building up pressure within the EMS ahead of next year's French elections.

UK clearing banks base lending rate 11½ per cent since July 30

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	7⅞
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	6.38
Two month	7.03
Three month	7.22
Six month	7.34
One year	7.49
Two year	8.02
Three year	8.30
Four year	8.50
Five year	8.67
Seven year	9.05
10 year	9.22
30 year	9.52

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 16)

Three months U.S. dollars		Six months U.S. dollars	
bid 7 15/16	offer 7 15/16	bid 7 7/8	offer 8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

Dec. 16	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.35 4.35	4.75 4.90	4.75-4.90	4.75-4.85	4.75 4.90	5.5
Paris	9⅛	8½-8⅝	8½-8⅝	8½-8⅝	8½-8¾	8¼
Zurich	⅞-1⅛	4⅛-4¼	—	4⅛-4¼	—	—
Amsterdam	5½-5⅞	5½-5⅞	—	5½-5⅞	—	—
Tokyo	8.28125	8.28125	—	7.90625	—	—
Milan	14⅞-15	15⅛-15⅛	—	14⅞-15	—	—
Brussels	8.85	8⅝ 8¾	—	8⅝ 8¾	—	—
Dublin	9¼-9½	10¼-10½	10⅞-10⅝	10⅞-11	11¼-11½	—

LONDON MONEY RATES

Dec. 16	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10½-12	11⅞-11⅞	11⅝-11¾	11⅝-11¾	11⅝-11¾	11½-11⅝
Sterling CDs	—	—	11⅝-11½	11½-11⅝	11½-11⅝	11⅜-11½
Local Authority Depos	11½-11⅝	11⅝	11⅝	11⅝	11⅝	11⅝
Local Authority Bonds	—	—	12	12	11⅞	11⅞
Discount Mkt Depos	11-11¾	11⅝	11⅝	11¼	—	—
Company Depos	11-11¾	11¾	11⅞	11⅞	—	—
Finance Hse Depos	—	—	11$\frac{9}{16}$	11$\frac{9}{16}$	11$\frac{9}{16}$	11$\frac{9}{16}$
Treasury Bills (Buy)	—	—	11$\frac{9}{16}$	11$\frac{9}{16}$	—	—
Bank Bills (Buy)	—	—	11$\frac{9}{16}$	11$\frac{7}{16}$	11$\frac{9}{16}$	—
Fine Trade Bills (Buy)	—	—	11¾	11⅝	11¾	—
Dollar CDs	—	—	7.85-7.90	7.75 7.80	7.75 7.80	7.90-7.95
SDR Linked Depos	—	—	8$\frac{1}{16}$-8$\frac{3}{16}$	8-8¼	8-8¼	7⅞-8⅛
ECU Depos	—	—	9⅛ 9¼	9$\frac{1}{16}$-9$\frac{3}{16}$	9$\frac{1}{16}$-9$\frac{3}{16}$	8⅞ 9

Treasury Bills (sell): one-month 11¼ per cent; three-month 11⅛ per cent. Bank Bills (sell): one-month 11$\frac{9}{16}$ per cent; three-month 11$\frac{7}{16}$ per cent. Treasury Bills: Average tender rate at discount 11.1583 per cent. ECGD Fixed Finance Scheme IV reference rate November 6 to December 3 (inclusive): 11.612 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from December 1, 1985. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (n-l). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11¼ per cent; one-three months 11¼ per cent; three-six months 11⅛ per cent; six-nine months 11½ per cent; nine-12 months 11½ per cent. Under £100,000 10¾ per cent from December 12. Deposits held under Series 5 11½ per cent. Deposits withdrawn for cash 7½ per cent.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 16, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.17
Algeria	Dinar	(A)6.94
Andorra	French Franc / Spanish Peseta	11.0975 / 225.00
Angola	Kwanza	42.6575
Antigua	E. Caribbean $	3.88
Argentina	Austral	1.1612
Australia	Australian $	2.1035
Austria	Schilling	25.5150
Azores	Portuguese Escudo	230.75
Bahamas	Ba. Dollar	1.4380
Bahrain	Dinar	0.5410
Balearic Isles	Spa Peseta	225.00
Bangladesh	Taka	42.90
Barbados	Barbados $	2.8900
Belgium	B. Franc	(cm) 74.05 / (fn) 74.40
Belize	B $	2.87
Benin	C.F.A. Franc	554.875
Bermuda	Bda $	1.4380
Bhutan	Ngultrum	17.40
Bolivia	Bolivian Peso	(o) 2244594.0
Botswana	Pula	3.0916
Brazil	Cruzeiro‡‡	14,207.0
Brit. Virgin Isles	U.S. $	1.4380
Brunei	Brunei $	3.0500
Bulgaria	Lev	1.4280
Burkina Faso	C.F.A. Franc	554.875
Burma	Kyat	11.3307
Burundi	Burundi Franc	165.50
Cameroon	C.F.A. Franc	554.875
Canada	Canadian $	2.0033
Canary Islands	Spanish Peseta	225.00
Cape Verde Is	Cape V. Escudo	128.28
Cayman Islands	Cay. Is $	1.1999
Cent. Afr. Republic	C.F.A. Franc	554.875
Chad	C.F.A. Franc	554.875
Chile	Chilean Peso	251.20
China	Renminbi Yuan	4.5736
Colombia	Col. Peso	(F)239.94
Comoro Islands	C.F.A. Franc	554.875
Congo (Brazaville)	C.F.A. Franc	554.875
Costa Rica	Colon	(U) 76.23
Cuba	Cuban Peso	1.2790
Cyprus	Cyprus £	0.7905
Czechoslovakia	Koruna	(com) 9.35 / n/c 16.28 / 15.57
Denmark	Danish Kroner	13.1575
Djibouti	Djibouti Franc	245.0
Dominica	E. Caribbean $	3.88
Dominican Repub.	Dominican Peso	(o) 1.4380 / 4.21(7)
Ecuador	Sucre	(O)137.69 / (F) 170.76
Egypt	Egyptian £	(o) 1.1985 / (T) 1.9700
El Salvador	Colon	(o) 3.60 / (F) 7.0103
Equatorial Guinea	C.F.A. Franc	554.875
Ethiopia	Ethopian Birr	2.9800
Falkland Islands	Falkland Is £	1.0
Faroe Islands	Danish Kroner	13.1575
Fiji Islands	Fiji $	1.6002
Finland	Markka	7.9150
France	French Franc	11.0975
French C'ty in Af	C.F.A. Franc	554.875
French Guiana	Local Franc	11.0975
French Pacific Is.	C.F.P. Franc	190.0
Gabon	C.F.A. Franc	554.875
Gambia	Dalasi	5.00
Germany (East)	Ostmark	3.6275
Germany (West)	Deutsche Mark	3.6275
Ghana	Cedi	85.2500
Gibraltar	Gibraltar £	1.0
Greece	Drachma	216.19
Greenland	Danish Kroner	13.1575
Grenada	E. Caribbean $	3.88
Guadaloupe	Local Franc	11.0975
Guam	U.S. $	1.4380
Guatemala	Quetzal	1.4380
Guinea	Syli	32.73
Guinea-Bissau	Peso	244.98
Guyana	Guyanese $	6.0000
Haiti	Gourde	7.19
Honduras	Lempira	2.8950
Hong Kong	H.K. $	11.2125
Hungary	Forint	68.7766
Iceland	I. Krona	60.3395
India	Ind. Rupee	17.40
Indonesia	Rupiah	1,616.6
Iran	Rial	122.25(sg)
Iraq	Iraqi Dinar	0.4464
Irish Republic	Irish £	1.1764
Israel	Shekel	2,133.0
Italy	Lira	2,474.0
Ivory Coast	C.F.A. Franc	554.875
Jamaica	Jamaica Dollar	7.86(sg)
Japan	Yen	291.25
Jordan	Jordanian Dinar	0.5320
Kampuchea	Riel	N/A
Kenya	Kenya Shilling	23.18
Kiribati	Australian $	2.1035
Korea (Nth)	Won	1.35
Korea (Sth)	Won	1,279.75
Kuwait	Kuwaiti Dinar	0.4173
Laos	New Kip	50.30
Lebanon	Lebanese £	26.54
Lesotho	Maluti	3.8015
Liberia	Liberian $	1.4380
Libya	Libyan Dinar	0.4255
Liechtenstein	Swiss Franc	3.0375
Luxembourg	Lux Franc	74.05
Macao	Pataca	11.56
Madeira	Portuguese Escudo	230.75
Malagasy Republic	MG Franc	767.81
Malawi	Kwacha	2.4050
Malaysia	Ringgit	3.4925
Maldive Islands	Rufiyaa	10.05
Mali Republic	C.F.A. Franc	554.875
Malta	Maltese Lira	0.6145
Martinique	Local Franc	11.0975
Mauritania	Ouguiya	110.65
Mauritius	M. Rupee	20.84
Mexico	Mexican Peso	(F)667.95 / (C)501.80
Miquelon	Local Franc	11.0975
Monaco	French Franc	11.0975
Mongolia	Tugrik	4.88
Montserrat	E. Caribbean $	3.88
Morocco	Dirham	13.82 (sg)
Mozambique	Metical	(A) 59.72
Namibia	S.A. Rand	3.8015
Nauru	Australian Dollar	2.1035
Nepal	Nepalese Rupee	29.46
Netherlands	Guilder	4.09
Netherland Antilles	Antillian Guilder	2.59
New Zealand	N.Z. Dollar	2.9970
Nicaragua	Cordoba	(O)41.71
Niger Republic	C.F.A. Franc	554.875
Nigeria	Naira	1.362527(sg)
Norway	Norwegian Krone	11.0575
Oman Sul'ate of	Rial Omani	0.4965
Pakistan	Pakistan Rpee	22.90
Panama	Balboa	1.4380
Papua N. Guinea	Kina	1.4552
Paraguay	Guarani	359.25(10) / 823.92(7)
Peru	Sol	exc(A) 20849.4
Philippines	Philippine Peso	26.40
Pitcairn Islands	£ Sterling / New Zealand $	— / 2.9970
Poland	Zloty	213.60
Portugal	Portuguese Escudo	230.75
Puerto Rico	U.S. $	1.4380
Qatar	Qatari Ryal	5.2275
Reunion Island	French Franc	11.0975
Romania	Leu	(Cm) 5.18 / (N.C) 16.17
Rwanda	Rwanda Franc	139.16
St. Christopher	E. Caribbean $	3.88
St. Helena	St. Helena £	1.0
St. Lucia	East Carribean $	3.88
St. Pierre	Local Franc	11.0975
St. Vincent	E. Caribbean $	3.88
Samoa American	U.S. $	1.4380
San Marino	Italian Lira	2,4474.0
Sao Tome & Prin	Dobra	59.99
Saudi Arabia	Saudi Ryal	5.2403
Senegal	C.F.A. Franc	554.875
Seychelles	S. Rupee	9.50
Sierra Leone	Leone	(O) 7.4850
Singapore	Singapore $	3.0500
Solomon Islands	Solomon Is. $	2.2594
Somali Republic	Somali Shilling	52.59
South Africa	Rand	3.8015
Spain	Peseta	225.00
Spanish ports in North Africa	Peseta	225.00
Sri Lanka	S. L. Rupee	39.20
Sudan Republic	Sudan £	3.59
Surinam	S. Guilder	2.57
Swaziland	Lilangeni	3.8015
Sweden	S. Krona	11.0875
Switzerland	Swiss Franc	3.0375
Syria	Syrian £	(A) (T) 9.0 / (CM) 5.64
Taiwan	New Taiwan $	57.24
Tanzania	Tan. Shilling	23.35
Thailand	Baht	38.30
Togo Republic	C.F.A. Franc	554.875
Tonga Islands	Pa'anga	2.1035
Trinidad	Trinidad & Tob $	3.46
Tunisia	Tunisian Dinar	1.0915(sg)
Turkey	Turkish Lira	815.95
Turks & Caicos	U.S. $	1.4380
Tuvalu	Australian $	2.1035
Uganda	Uganda Shilling	1,630.0
United States	U.S. Dollar	1.4380
Uruguay	Uruguay Peso	177.42
Utd. Arab Emirates	U.A.E. Dirham	5.2718
U.S.S.R.	Rouble	1.0958
Vanuatu	Vatu	145.88
Vatican	Italian Lira	2,474.0
Venezuela	Bolivar	(4) 6.18 / (6) 10.49 / (6) 21.0230
Vietnam	Dong	(O) 132.58
Virgin Island U.S.	U.S. Dollar	1.4380
Western Samoa	Samoan Tala	(A) 3.0875
Yemen (Nth)	Ryal	(A) 10.0520
Yemen (Sth)	S. Yemen Dinar	0.4930
Yugoslavia	New Y Dinar	435.4318
Zaire Republic	Zaire	78.5449
Zambia	Kwacha	7.95
Zimbabwe	Zimbabwe $	2.3950

‡ Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rates. (10) Rate for exports. (14) Nearly all business transactions.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101	99	Exch. 11¼pc '86	99¾	....	11.76	11.71
99	96¼	Treas. 10pcCnv 1986	99	–	10.05	11.58
97¼	92¼	Treas 3pc 1986	97¼	....	3.09	10.16
100	97½	Exch. 10½pc 1986	99		10.55	11.60
101¾	99½	Treas 12pc 1986	100¼		11.97	11.47
98	94½	Treas 8¼pc 1984-86‡‡	98½xd	+	8.62	11.23
105	101¾	Exch. 14pc 1986	101	–	13.73	11.50
95¼	87¼	Exch. 2½pc 1986	95¼		2.62	8.34
104	101	Exch. 13¼pc 1987	101xd	–	13.03	11.65
99	96½	Treas 10¼pcCv '87	98½		10.39	11.46
93	85½	Exch 2½pc 1987	93	+	2.67	8.50
100	96¼	Exch. 10½pc 1987	99	–	10.60	11.30
95	89	Funding 6½pc '85-87‡‡	94¼	....	6.86	10.71
99	95½	Treas. 10pc 1987	98¼	–	10.17	11.32
91¼	84¼	Treas 3pc 1987	91¼xd	+⅛	3.26	8.75
102	99¼	Treas. 12pc 1987	101¼	–	11.86	11.29
95	90¼	Treas 7¾pc 1985-88‡‡	93		8.28	11.08
100	95¼	Exch 10½pc '88	98	–⅛	10.65	11.20
98¼	93¼	Treas 9½pc Cv '88	96¼xd	–	10.07	11.29
87	80	Transport 3pc '78-88	87½xd	+	3.42	8.60
97¼	91½	Treas. 9½pc '88	95	–⅛	9.92	11.28
102¼	97½	Treas 11½pc 1989	100¼	–	11.42	11.22
97	90¼	Treas 9½pc Cnv. '89	95¼	–	9.97	11.23
84¼	79	Treas 3pc 1989	84¼	+⅛	3.56	8.46
99¾	94	Treas 10½pc 1989	97xd	–	10.72	11.23
98¼	92	Exch. 10pc 1989	96	–⅛	10.31	11.25
101	95	Exch 11pc 1989	99¼	–	11.06	11.18
86¼	79	Treas 5pc 1986-89	85¾	+	5.82	9.48
40¼	39	Exch 10¼pcCv '89 (£40pd)	39¼	–	10.44	10.85
108	103¼	Treas 13pc 1990‡‡	106¼xd	–	12.23	11.07
101¼	96	Exch 11pc 1990‡‡	99¾	–	11.04	11.08
108¼	100¼	Exch. 12¼pc 1990	104¾	–	11.94	11.10
81	75¼	Treas. 3pc 1990	81	+	3.70	8.23
93¼	87¼	Treas 8¼pc 1987-90‡‡	91xd	–	9.00	10.63
101¼	91¾	Treas. 10pcCv 1990	95¾	–	10.43	11.21

Five to Fifteen Years

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108¼	97¼	Treas 11¾pc 1991	101½xd	–⅛	11.49	11.16
87¾	80	Funding 5¾pc '87-91‡‡	86¾	–⅛	6.73	9.27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
240	146	M'c'rthy Ph 20p	240		8.2	2.0	4.9	14.8
150	87½	Macfarlane Co.	120	–3	th2.16	3.1	2.6	16.9
47	34	Maclellan (P & W) 20p	42	+1	†1.7	2.3	5.8	8.7
88	46	Magnolia Group	83		2.6	3.0	4.5	10.1
60	28	Mainmet Hldgs 10p	60		—	—	—	97.9
515	202	Man. Ship Can. £1	503		5.5	3.5	1.6	26.4
123	70	Marley	114	–1	3.75	2.2	4.7	13.8
107	52	Marling Ind. 10p	88	–1	†d1.5	5.4	2.4	10.7
82	36	Marshall L'ey. 'A'	70	–2	†2.4	4.9	4.9	5.0
77	55	Marshall's Universal	70		†2.0	1.4	4.1	22.2
89	78	Do. 7½pcCnRedPf £1	84	–2	7½%	—	12.8	—
£110	£81	Mathesons 7¼%	£110		Q7¼%	2.3	17.2	—
35	15	Maxiprint 1p	20		—	—	—	—
551	375	Metal Box £1	512		17.25	3.0	4.8	8.1
170	110	Metal Closures	149		6.7	2.0	6.4	9.3
17	3	Metal Sciences 2½p	5		—	—	—	—
104	63	Midland Marts	80		4.0	2.1	7.1	9.6
83½	55½	Mitchell Cotts	67		4.25	2.0	9.1	6.8
230	182	Morgan Crucible	199	+1	†8.0	1.6	5.7	13.8
33	18	Morris (W) F.A. 20p	19	+1	g0.5	♦	3.8	♦
131	91	Moss (Robt.) 10p	110	+2	†3.0	2.7	3.9	11.8
81	60	Myson Grp 10p	65		g2.5	3.4	5.5	12.3
330	214	NMW Computers	325		th4.8	2.7	2.1	25.0
43	27	Nash Inds.	27		0.5	—	2.7	—
48	15	Neil & Spencer 10p	16		—	—	—	4.8
44	14½	Newman Inds 10p	31	+3	20.3	—	1.4	14.7
57	26	Notton	53	+1	0.95	2.6	2.6	7.6
216	146	Norcros	188	–2	†8.6	2.0	6.6	10.1
67	45	Nu-Swift 5p	49		†3.0	1.9	8.7	7.9
114	68	Oakwood Grp	91	+1	†d4.5	1.4	7.1	13.4
250	150	Office & Elect	207		†7.5	2.6	5.2	10.6
108	75	Oldacre 20p	82		4.0	2.6	7.0	7.3
58	36	Optometrics $0.01	36		nd0.2c	—	4.4	—
525	312½	Oriflame £1	525		†23.4	1.8	4.5	12.4
18	5½	Overstone 12½c	8		q03.25c	1.9	10.4	5.1
£217	£158	Ozalid 9pc Cnv 87-92	£214		Q9%	—	14.2	—
185	98½	PCT Grp 10p	100		3.2	1.2	6.7	24.6
£14	850	PLM 'B' S4.25	950		Q21.6%	2.9	4.9	7.2
[illegible]								

LEISURE—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
37	24	Campari Int. 20p	32	–3	1.0	—	4.5	[illegible]
215	177	Central TV N/V 50p	215		10.5	2.3	7.0	[illegible]
235	170	Chrysalis	216	+4	a7.36	♦	5.0	[illegible]
52	7	Entertain Prod 5p	9		bd2.25	2.1	35.7	[illegible]
105	50	Fairline Boats 10p	105	+2	4.2	♦	5.7	[illegible]
422	228	First Leisure £1	407	–1	†6.5	2.8	2.3	[illegible]
69	51	GRA Group 5p	64		—	—	—	[illegible]
32	25	Grampian TVA 10p	30		th1.67	♦	7.9	[illegible]
35	10	Greenwich Cable Comm	22		—	—	—	[illegible]
175	117	HTV Non/Vtg.	175		7.7	2.9	6.3	[illegible]
148	78	Horizon	92		♦4.4	3.6	6.8	[illegible]
140	95	Intal Leisure 10p	95	–2	4.8	3.1	7.4	[illegible]
232	72	Juliana's Hldgs 2p	72		†2.0	1.8	3.5	[illegible]
300	217	LWT	258		14.4	1.8	8.0	[illegible]
36½	23½	Leisure Inv 10p	31	–1	—	—	—	[illegible]
65	53	Leisuretime Int 10p	57	–1	†2.1	3.9	5.3	[illegible]
115	98	Lewmar	105	+2	u2.63	3.0	3.6	[illegible]
183	153	Media Tech Int 20p	165	–2	g2.58	5.4	2.2	[illegible]
205	124	Medminster 10p	155		5.35	2.0	4.9	[illegible]
280	160	Miss World 10p	165	–5	3.6	4.1	3.1	[illegible]
127½	68	Nationwide Leisure	70	–1	†3.75	2.5	7.7	[illegible]
39	9½	Ninjuto Int 20c	9½		—	—	—	[illegible]
27	19½	Owners Abroad	23½	–¼	1.0	2.2	6.0	[illegible]
54	36	Photax (Lon.)	46	+2	—	—	—	[illegible]
29	18	P'dilly Radio NV 5p	27		2.0	♦	9.9	[illegible]
90	30	Pineapple Dnc St 10p	40		—	—	—	[illegible]
342	183	Pleasurama 5p	295	–2	th4.6	3.7	2.2	[illegible]
161	109	Do. 7pcCvCmRedPf	142		7%	—	7.0	[illegible]
96	77½	Pres Entertain 50p	92	+1½	†2.0	2.1	3.1	[illegible]
65	18	Radio City 'A' NV	25		—	—	—	[illegible]
55	35	Radio Clyde N/V	40	+3	3.25	♦	12.2	[illegible]
63	34	Riley Leisure 10p	56		†0.7	—	‡	[illegible]
195	143	Saga Hols. 20p	195		†4.0	2.1	2.9	[illegible]
289	97	Samuelson Grp 20p	270		t2.4	6.0	1.3	[illegible]
111	25	Sangers Photo 10p	95	–2	♦2.0	1.9	3.0	[illegible]
202	130	Scantro 50p	173	–5	g3.68	2.6	3.0	[illegible]
188	128	Scott. TV 'A' 10p	187		†8.8	2.8	6.7	[illegible]
508	250	SeaCo Inc $0.125	270	+8	—	—	—	[illegible]
[illegible]								

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

PROPERTY

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

"Recent Issues" and "Rights" Page 30 (International Edition Page 34)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Initial enthusiasm falters and equities close lower
Gilts also lose ground

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Dec 9	Dec 19	Dec 20	Jan 6
Dec 23	Jan 9	Jan 10	Jan 20
Jan 13	Jan 23	Jan 24	Feb 3

* "New-time" dealings may take place from 9.30 am two business days earlier.

Investors showed little inclination to enter into fresh commitments yesterday in London stock markets. The outcome was that a promising early trend in leading shares soon faltered and the majority of blue chip industrials ended the session recording widespread losses. Government stocks also experienced drab trading conditions with sentiment not helped by pressures resulting from the authorities' announcement late on Friday of new funding totalling £600m.

The attempt to start a Christmas run-up in equity values was based on Wall Street which staged another powerful performance on Friday. Interest rate hopes, including stronger convictions of an imminent cut in the Federal Reserve discount rate, inspired the sharp advance. Publication of the latest monthly survey of UK industrial trends, which indicated that orders had fallen but not seriously enough to affect business confidence, was not really a factor.

Brokers soon completed early orders from private clients and waited for the institutions to show interest. Most fund managers, however, appeared reluctant to operate amid the current uncertainty over international oil prices, and consequently the exchange rate, sterling maintained a quietly steady trend yesterday but equity traders were looking further ahead.

Fresh profit-taking later developed in the fashionable Stores sector where British Home were the most susceptible stock. Oil shares too encountered some selling pressure, although losses among the leaders rarely exceeded 5p or so. Illustrating the encouraging early tone the FT-SE 100 share index was five points up before 10 am. After touching 1,386.4 it gradually subsided to close the day a net 4.9 lower at 1,376.5.

Awaiting the November Public Sector Borrowing Requirement, due to be announced today, the Gilt-edged market went lower on disappointment with the Government's latest funding tactics. The issue late on Friday of £600m of new stocks via four £150m tranches of existing issues had tended to surprise traders. Light offerings thus found buyers unwilling and selected high-coupons backtracked progressively to close with falls extending to ¾. The shorts were more resilient and showed only marginal losses.

Minet better

Lloyds Broker Minet, which last week reported bumper third-quarter profits, advanced 11 to 231p largely on currency considerations.

Deutsche, West Germany's largest bank, having jumped 25 points last week, gained 9 points more to a record £221 in further response to group's recent successful acquisition of the Flick Industrial group.

Womens fashionwear group Jacques Vert staged a successful debut in the Unlisted Securities Market; the shares, placed at 120p, touched 126p prior to closing a shade below the best at 124p. Among other recently-issued equities, J. S. Pathology attracted fresh support and rose 11 to 248p.

Leading Buildings gave modest ground owing to a lack of buying interest. Blue Circle closed 5 cheaper at 555p, as did Redland, at 328p. Among Contracting and Construction issues, French Kier, currently in receipt of an unwelcome bid from C. H. Beazer, firmed 3 to 257p on news that its offer for Abbey had lapsed; Abbey fell 6 to 108p. Thomson T-Line Caravans continued to reflect asset injection hopes and rose 10 more to 100p.

Potential "shell" situation British Benzol closed unchanged at 48p, after 49p, following news of a mid-term deficit, but W. Canning gained 14 to 93p on the announcement that Yule Catton had acquired a 7.95 per cent stake in the company.

BHS flat

Leading Stores failed to capitalise on a relatively firm opening. Concern over the Chancellor's scope for tax cuts next year continued to inhibit trade and dealers reported a quieter session than of late. Losses still ran into double figures, however, and British Home Stores fell 26 to 344p as hopes faded of a counter to the proposed merger with Habitat Mothercare; the latter were also dull and gave up 10 at 448p. Gussies A were sold down to 814p before settling 13 off at 817p, while Burton traded between 548p and 541p prior to closing a couple of pence cheaper on balance at 543p. Renewed offering continued to unsettle Dixons, which in a restricted market, were finally 31 lower at 849p. Superdrug, due to reveal third-quarter figures later this week, closed 13 down at 460p.

United Scientific provided a firm feature among secondary Electricals, rising 15 to 170p following bullish reports emanating from an analysts' meeting held to discuss the better-than-expected annual results; the improvement also reflected relief that a rights issue did not accompany the figures. Chloride added 3 at 36p on news of a U.S. battery contract, while Microlease jumped 30 to 190p in reply to an investment recommendation. News of a director's share purchases lifted MMT Computing 20 to 190p, while Logica closed 7 to the good at 137p after news of the approach from Electronic Data Systems. Dealings in HB Electronics were resumed and the price closed 8 lower at 38p; the proposed sale of a subsidiary to Coats Patons has been called off. Another disappointing trade in Cable and Wireless saw the old shares close unaltered at 585p and the 300p-paid new finish a couple of pence off at 301p, after 297p.

Business in Engineerings centred on secondary issues. Burgess reflected takeover hopes with a rise of 8 to 166p, after 172p, while William Cook moved up 5 to 79p in response to better-than-expected interim results. Ayrshire Metal added 5 at 68p on Press comment and speculative buying lifted S. W. Wood 5 to 40p. Porter Chadburn advanced 10 to 275p, while improvements of 2 and 4 respectively were seen in Cronite, 43p, and M. S. International, 63p. Parkfield touched 238p in initial response to bumper half-year profits, but later succumbed on profit-taking to finish the turn lower at 225p. Arthur Lee closed a penny cheaper at 47½p, after 49½p, following annual figures. Profit-taking clipped 2¼ from C. H. Bailey at 26p; the shares were higher last Friday after the announcement that TIFA had increased its stake to just over 27 per cent. TI lost 6 to 370p as hopes faded of a bid from Evered.

Cadbury Schweppes firmed 2 to 158p after news that the company was negotiating the possible sale of its Jeyes businesses to current management teams for around £19m, but United Biscuits encountered profit-taking in the absence of any fresh developments and closed 7 down at 252p. Tate and Lyle, a weak market since publication of the annual results, rallied 7 to 545p, but S. and W. Berisford shed 4 to 155p following disappointing full-year figures from its British Sugar subsidiary.

BAe below best

Press suggestions that British Aerospace was considering reducing pension fund contributions and so boost group profits by some £36m induced good early support for the shares which touched 457p before succumbing to profit-taking and closing only 3 dearer on balance at 448p; sentiment was also helped by a £83m Indonesian contract. Elsewhere in miscellaneous industrials, R. Kelvin Watson gained 9 to 243p awaiting bid developments and J. Billam gained 6 to 81p on the announcement that M. D. Deakin had taken a 6 per cent stake in the company. Valor reflected an investment recommendation with a rise of 10 to 227p, and AAH were 6 up at 172p for the same reason. A 60 per cent jump in interim profits helped Siebe put on 25 at 667p, while Halma also drew strength from impressive first-half figures with a rise of 8 at 225p. Revived takeover speculation lifted Newman Industries 3 to 31p and seasonal demand left J. W. Spear 7 to the good at 187p. Among the leaders, Beecham edged forward a couple of pence more to 330p, after 333p, but Hanson Trust slipped 3 to 196p and BTR 4 to 356p.

Adam Leisure, which revealed poor annual results last week, attracted demand based on recovery hopes and recovered 3½ to 13½p.

A number of firm spots emerged among Motors. Jaguar, aided by favourable Press mention, put on 8 more to 333p, while Components highlighted Airflow Streamlines which responded to fresh speculative demand to close 7 higher at 35p. AE hardened a couple of pence to 137p in reply to the increased preliminary profits and dividend, while the encouraging tenor of the chairman's statement at the annual meeting lifted Lucas 6 to 426p.

Carlton Communications touched 800p before settling 25 higher on balance at 790p following more-than-doubled preliminary profits. British Printing and Communication, still buoyed by the purchase of the Withy Grove plant in Manchester, improved 3 more to 199p.

Caparo Properties, already 11 higher at 43p on speculative buying, raced ahead after hours' to close a net 20 up at 52p following details of the company's moves to expand its property development activities. Peel Holdings, however, shed 5 to 445p on news of a £17m rights issue and property purchases.

Britannia Arrow eased 4 to 143p on disappointment with the increased and final offer from Guinness Peat; the latter, which also revealed annual results, closed a penny cheaper at 75p. Elsewhere in subdued Financials, Press comment prompted modest gains in Mercantile House, 302p, and Exco International, 232p. M & G, annual results expected on Thursday, improved 20 more to 805p.

Oils lose ground

Concern over the possibility of further weakness in crude prices continued to depress the oil sector. Selling pressure, although by no means substantial, was evident from the outset and the leaders gradually retreated to close at or around the day's lowest levels. BP and Shell settled down 7 apiece at 535p and 635p respectively, while LASMO dropped 8 more to 220p and Tricentrol 5 to 125p.

Secondary oils also gave ground. Goal Petroleum were especially weak, dropping 14 to 48p, after a 1985 low of 44p, in the wake of the proposed £10.3m rights issue. ERIC, which has a 20 per cent stake in Goal, fell in sympathy to close 10 off at a year's low of 95p.

Mining markets remained very much a backwater. The closure of the Johannesburg Stock Exchange for a public holiday saw London business in South African Golds reduced to a trickle. Share prices did little more than drift easier for much of the day, but sentiment took a turn for the better as trading drew to a close. A firmer bullion trend in the US then helped share prices edge away from the day's lowest levels.

The latest in a series of poor performances by overnight Sydney and Melbourne markets prompted London dealers to mark down prices of Australians.

Reduced turnover in the underlying securities was reflected in Traded Options where total contracts transacted amounted to only 9,603—the lowest since late October.

FINANCIAL TIMES STOCK INDICES

	Dec. 16	Dec. 13	Dec. 12	Dec. 11	Dec. 10	Dec. 9	year ago
Government Secs	82.85	83.15	83.16	82.74	82.81	83.14	82.30
Fixed Interest	88.85	89.06	88.84	88.62	89.68	88.84	85.79
Ordinary ♥	1100.3	1105.9	1104.8	1103.7	1115.7	1115.4	938.3
Gold Mines	257.5	260.3	264.2	267.7	263.0	268.3	467.7
Ord. Div. Yield	4.53	4.51	4.51	4.50	4.41	4.43	4.59
Earnings, Yld. %(full)	11.23	11.19	11.17	11.15	†10.95	†10.99	11.63
P/E Ratio (net) (*)	10.99	11.03	11.04	11.06	11.26	11.22	10.32
Total bargains (Est.)	21,170	23,083	24,415	24,891	29,143	27,943	27,343
Equity turnover £m.	—	455.17	478.44	517.37	485.84	696.73	434.77
Equity bargains	—	19,595	18,973	21,311	24,550	30,863	32,840
Shares traded (ml)	—	226.8	233.4	249.6	233.0	398.6	237.4

♥ 10 am 1110.3. 11 am 1106.2. Noon 1103.5. 1 pm 1101.5. 2 pm 1100.5. 3 pm 1100.6. 4 pm 1100.7.

Day's High 1110.3. Day's Low 1100.3.

Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=10.58.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.38 (23/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1146.9 (25/11)	911.0 (25/7)	1146.9 (25/11/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	217.6 (5/11)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Dec. 13	Dec. 12
Daily Gilt Edged Bargains	137.2	141.3
Equities Bargains	127	122.9
Value	920.0	967.0
5 day Average Gilt Edged Bargains	141.9	141.2
Equities Bargains	149.4	170.8
Value	1064.6	1138.4

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Dec 16 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Fri Dec 13 Index No.	Thurs Dec 12 Index No.	Wed Dec 11 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (207)	562.24	−0.4	10.24	4.10	12.23	15.23	564.24	565.19	563.77	552.59
2	Building Materials (23)	617.25	−0.7	10.80	4.40	11.56	17.26	621.78	622.69	617.07	506.69
3	Contracting, Construction (27)	909.79	−0.3	10.62	4.76	12.13	28.48	912.72	915.84	914.09	727.73
4	Electricals (13)	1514.59	−0.3	9.65	5.00	13.51	52.34	1519.80	1528.64	1508.65	1612.23
5	Electronics (39)	1401.19	−0.4	10.63	3.25	12.34	32.01	1406.31	1418.20	1424.44	1963.56
6	Mechanical Engineering (61)	320.44	—	10.78	4.56	11.26	9.57	320.27	319.79	318.46	272.75
8	Metals and Metal Forming (7)	237.18	−0.6	9.29	6.89	13.13	7.98	238.55	237.81	232.48	166.46
9	Motors (17)	200.75	+0.6	11.97	4.39	10.08	5.91	199.51	197.83	196.54	136.42
10	Other Industrial Materials (20)	983.43	−0.8	7.89	3.69	15.18	24.34	991.20	989.89	989.28	808.36
21	CONSUMER GROUP (177)	752.39	−0.3	8.74	3.66	14.33	18.21	754.91	752.64	752.99	607.78
22	Brewers and Distillers (23)	759.13	−0.2	9.93	4.02	12.92	17.44	760.88	755.22	752.53	566.28
25	Food Manufacturing (22)	564.17	+0.2	10.67	4.47	12.05	17.32	563.18	559.06	555.95	466.95
26	Food Retailing (14)	1732.00	+0.1	6.28	2.60	21.42	28.06	1729.90	1727.18	1728.64	1444.91
27	Health and Household Products (9)	1184.32	−0.3	6.47	2.77	18.15	23.08	1188.27	1195.31	1209.76	1001.73
29	Leisure (24)	753.67	−0.8	7.44	4.47	17.14	23.67	759.92	760.74	758.84	669.10
32	Newspapers, Publishing (11)	1856.63	+0.1	7.29	5.26	17.36	58.90	1855.11	1849.65	1811.71	1435.09
33	Packaging and Paper (13)	365.23	−0.3	9.54	4.24	12.57	10.19	366.27	366.43	366.42	282.93
34	Stores (42)	751.49	−1.3	7.09	2.90	19.05	15.09	761.71	756.13	753.74	540.58
35	Textiles (16)	376.93	−0.7	11.78	4.55	9.62	11.43	379.48	376.88	376.92	292.09
36	Tobaccos (3)	871.96	+1.3	15.12	5.15	7.55	38.77	860.86	863.52	875.38	877.34
41	OTHER GROUPS (98)	705.41	−0.3	9.72	4.11	13.46	16.56	707.50	710.61	711.50	595.57
42	Chemicals (18)	727.22	+0.2	13.80	5.33	9.58	26.69	726.12	729.18	730.17	717.89
44	Office Equipment (4)	213.99	−1.1	7.44	4.09	16.83	6.20	216.37	217.40	217.40	145.54
45	Shipping and Transport (10)	1321.60	−1.2	7.51	4.15	16.28	40.16	1337.33	1338.60	1317.66	957.96
46	Miscellaneous (64)	868.11	−0.2	8.20	3.84	14.98	e 19.69	870.07	872.23	873.91	768.06
48	Telephone Networks (2)	881.63	−0.4	9.35	3.72	14.67	14.38	884.77	890.34	893.54	690.69
49	INDUSTRIAL GROUP (482)	697.88	−0.3	9.36	3.88	13.54	17.25	700.18	700.20	700.17	600.27
51	Oils (18)	1085.18	−1.3	19.12	8.07	6.21	60.72	1099.88	1089.80	1084.60	1056.89
59	500 SHARE INDEX (500)	731.38	−0.4	10.40	4.36	11.92	20.74	734.59	733.98	733.46	638.65
61	FINANCIAL GROUP (116)	511.28	+0.2	—	4.76	—	16.96	510.35	507.71	505.83	427.21
62	Banks (6)	508.15	—	18.11	5.86	7.09	21.12	508.08	506.09	504.46	422.54
65	Insurance (Life) (9)	785.01	+0.2	—	4.33	—	23.40	783.66	779.36	773.00	583.38
66	Insurance (Composite) (7)	397.97	+0.3	—	4.95	—	13.79	396.59	398.50	388.73	308.56
67	Insurance (Brokers) (8)	1179.94	+1.2	7.17	3.66	18.66	38.86	1165.76	1163.45	1156.24	970.57
68	Merchant Banks (11)	282.55	−0.4	—	3.67	—	6.83	283.70	283.94	282.80	218.89
69	Property (51)	665.57	−0.1	5.88	3.71	22.72	17.40	666.27	667.14	667.44	642.80
70	Other Financial (24)	304.68	+0.5	10.04	5.61	12.30	11.59	303.19	300.77	299.97	260.23
71	Investment Trusts (105)	639.49	+0.4	—	3.41	—	15.06	637.01	635.90	632.94	565.87
81	Mining Finance (3)	244.44	−0.4	13.69	6.35	8.50	10.48	245.54	243.77	242.87	271.71
91	Overseas Traders (14)	586.91	−0.2	13.33	6.98	8.92	29.15	588.27	591.69	585.50	615.75
99	ALL-SHARE INDEX (738)	667.75	−0.3	—	4.42	—	19.50	669.76	668.65	667.71	582.47

	Index No.	Day's Change	Day's High	Day's Low	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Year ago
FT-SE 100 SHARE INDEX	1376.5	−4.9	1386.4	1376.5	1381.4	1378.5	1377.4	1389.5	1392.2	1212.50

FIXED INTEREST

	PRICE INDICES	Mon Dec 16	Day's change %	Fri Dec 13	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	118.36	−0.05	118.67	0.25	11.16
2	5-15 years	130.50	−0.43	132.04	0.97	13.97
3	Over 15 years	136.31	−0.55	138.44	1.37	13.19
4	Irredeemables	150.07	−0.40	150.67	—	13.57
5	All stocks	128.91	−0.32	130.09	0.77	12.98
6	Debentures & Loans	110.72	−0.23	110.97	—	12.05
7	Preference	81.51	−0.02	81.53	—	6.62
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	109.01	—	109.01	—	2.85

	AVERAGE GROSS REDEMPTION YIELDS		Mon Dec 16	Fri Dec 13	Year ago (approx.)
	British Government				
1	Low	5 years	10.16	10.12	10.40
2	Coupons	15 years	10.32	10.25	10.39
3		25 years	10.33	10.26	9.92
4	Medium	5 years	11.19	11.12	11.11
5	Coupons	15 years	10.69	10.61	10.77
6		25 years	10.27	10.21	10.18
7	High	5 years	11.27	11.20	11.19
8	Coupons	15 years	10.84	10.76	10.93
9		25 years	10.46	10.39	10.29
10	Irredeemables†		9.81	9.76	9.82
11	Debs &	5 years	11.43	11.40	11.39
12	Loans	15 years	11.35	11.32	11.47
13		25 years	11.35	11.24	11.48
14	Preference†		11.91	11.89	12.64
15	Inflation rate	5%	3.77	3.77	3.28
16		10%	3.57	3.56	3.08

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Bailey (C.H.)	26	−2¼
Beecham	330	+ 2
Berisford (S. & W.)	155	− 4
Boots	251	− 7
British Aerospace	448	+ 3
Brit. Home Stores	344	−26
Cadbury Schweppes	158	+ 2
Grand Metropolitan	368	—
Jaguar	333	+ 8
Tate & Lyle	545	+ 7
United Biscuits	252	− 7
Valor	227	+10

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Cable & Wire.*	22	303	
Beecham	18	328	− 8
Boots	15	258	+ 9
Bailey (C. H.)	14	28½	+ 4½
Fisons	14	445	+ 4
Grand Met.	14	368	+10
Mercantile Hse.	14	298	+25
ICI	13	730	− 3
Sound Diffusion	13	31½	+ 4
BHS	12	370	− 8
Parkfield	12	226	+18
Triton Europe	12	240	− 5

* Partly-paid.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$320	50	7	12	17	8	23	$319.30
GOLD C	$340	57	2.50	5	7	—	—	"
GOLD P	$320	—	—	—	—	35	12	"
GOLD P	$340	—	—	—	—	80	23	"

TOTAL VOLUME IN CONTRACTS: 37,271

A=Ask B=Bid C=Call P=Put

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (58)

BRITISH FUNDS (1)
Exch 2½pc 1987
AMERICANS (4)
Cons Freightways, Sara Lee, Morgan (JP), Union Carbide
BANKS (6)
Algemene Bank Ned, Banco de Santander, Allied Irish Banks, Commerzbank, Banco de Bilbao, Deutsche Bank
BREWERS (1)
Irish Distillers
BUILDINGS (4)
Berkeley Group, Miller (Stanley), Meyer Intl, Polypipe
CHEMICALS (5)
Allied Hldgs, Hoechst, BASF G, Thurgar Bardex, Bayer AG
ENGINEERING (2)
SKF AB, Wood (S. W.), Wagon Indl
FOODS (2)
Dart & Kraft, Park Food
INDUSTRIALS (10)
AGA AB, Siebe, Coin Inds, Spear (J. W.), Crean (J.), Unilever N.V., Parkfield, Valor, Prestwich, Wedgwood
INSURANCE (1)
Allianz AG
LEISURE (2)
Fairline Boats, Zetters
PROPERTY (2)
Caparo Props, Trencherwood
TRUSTS (10)
OVERSEAS TRADERS (1)
Lonrho

NEW LOWS (36)

LOANS (1)
N'wide 11½pc 20.10.86
AMERICANS (1)
Louisiana Land
BUILDINGS (3)
AMEC, Jarvis (J.), Access Satellite
STORES (2)
Bedford (Wm.), House of Lerose
ELECTRICALS (7)
Composit, Sintrom, Nortain Elects, United Leasing, Prestwick, Wordplex, Quest Automation
ENGINEERING (2)
Braithwaite, Cohen (A.), Brown (John)
HOTELS (1)
Prince of Wales
INDUSTRIALS (2)
Bsionk, Hartons
PAPER (2)
Davidson Pearce, Peters (Michael)
TEXTILES (1)
Hicking Pentecost
OILS (10)
Charterhouse Petroleum, Global Natural Resources, Claremont Petroleum, Goal Petroleum, Edinton Oil & Gas, Mariner Petroleum, E.R.I.C., Sceptre Resources, Enterprise Oil, Sovereign Oil
OVERSEAS TRADERS (1)
Polly Peck Intl 9pc Cnv Ln '03-08
MINES (2)
President Steyn, Sungei Besi

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 16	Jan 3	Mar 26	Apr 7
Jan 6	Jan 17	Apr 10	Apr 21
Jan 20	Jan 31	Apr 24	May 6

For rate indications see end of Unit Trust Service

Call options were taken out in Bula, STC, Combined Technologies, International City Holdings, Laura Ashley, Habitat Mothercare, Ryan International, Atlantic Resources, North Kalgurli, European Ferries, Noble and Lund, Hall Engineering, Canvermoor and Fairline Boats. No puts or doubles were reported.

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+or−
60	F.P.	23/12	64	58	Pavion Intl.	64	−2
32	F.P.	10/1	36	32	Readicut 5p	32	
260	Nil	24/1	190pm	95pm	Regalian Props.	95pm	−5
240	F.P.	20/1	285	265	Samuelson Grp. 20p	272	+2
187	F.P.	8/1	234	211	Wedgwood	234	—

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. q Forecast otherwise indicated. ¶ Issued by tender. ‡ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ¤ Dealt in under Rule 535 (3). ψ Dealt in under Rule 535 (4) (a). † Units comprising five ordinary and one warrant. * Units comprising 12 preference shares and one warrant.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	82	20
Corpns Dom and Foreign Bonds	13	28	41
Industrials	257	339	900
Financial and Prop	141	68	358
Oils	10	34	82
Plantations	5	0	12
Mines	21	46	114
Others	108	43	102
Totals	561	640	1,622

LONDON TRADED OPTIONS

December 16 Total contracts 9,603 Calls 6,615 Puts 2,988

*Underlying security price

WORLD STOCK MARKETS

AUSTRIA

Dec. 16	Price Sch't.	+ or —
Credit'nst'lt ppd	427	+2
Goesser	589	—1
Interunfall	1,505	+30
Jungbunzlauer*	42,000	+500
Laenderbank *	2,090	+40
Perlmooser	750	—15
Steyr Daimler	162	+3
Veitscher Mag	925	....

BELGIUM/LUXEMBOURG

Dec. 16	Price Frs.	+ or —
B.B.L.	2,505	+35
Banq. Gen. Lux	9,600	....
Banq. Int.A.Lux	9,100	+100
Bekaert	6,600	+50
Ciment CBR	2,800	....
Cockerill	201	+1
Delhaize	6,610	—100
EBES	3,815	+10
Electrobel	11,375	+475
Fabrique Nat.	2,010	+10
GB Inno BM	5,020	+10
GBL (Brux)	2,550	....
Gevaert	5,030	+80
Hoboken	5,690	+70
Intercom	2,940	+80
Kredietbank	11,500	—300
Pan Hldgs	9,930	....
Petrofina	6,690	+70
Royale Belge	18,000	....
Soc. Gen. Banq.	4,430	—25
Soc. Gen. Belge	2,275	—15
Sofina	8,300	+140
Solvay	6,110	....
Stanwick Intl	1,150	....
Tractionel	4,810	+190
UCB	5,520	—80
Wagons Lits	4,015	....

DENMARK

Dec. 16	Price Knr %	+ or —
Andelsbanken	406	....
Baltica Skand	605	....
Cop Handelsb'nk	347xr	—1
D. Sukkerfab.	475	—5
Danske Bank	393	+2
De Danske Luft.	1,480	....
East Asiatic	237	—3
Forenede Brygg.	1,075	....
Forenede Damp.	220	—2
GNT Hld	685	....
I.S.S.B.	615	....
Jyske Bank	790	+10
Novo Inds	1,355	+35
Privatbanken	333	—1
Provinsbanken	470	+2
Smidth (F.L.) B	322	+2
Sophus Berend	980	....
Superfos	359	+7

FRANCE

Dec. 16	Price Frs.	+ or —
Emprunt 4½% 1973	1,489	+32
Emprunt 7% 1973	7,245	+77
Accor	299.9	+0.9
Air Liquide	641	+6
BIC	497	+8
Bongrain	1,560	....
Bouygues	873	+13
BSN Gervais	2,555	....
CIT Alcatel	1,443	—1
Carrefour	2,912	+17
Club Mediter'n	464	—2.5
Cie Bancaire	808	—10
Cofimeg	313	—3
Damart	1,890	—40
Darty	1,890	+10
Dumez S.A.	868	+25
Eaux (Cie Gen)	609	+5
Elf-Aquitane	204	+2
Essilor	2,325	+64
Gen.Occidentale	720	+11
Imetal	76.5	+3
Lafarge Coppee	708	....
L'Oreal	2,798	+18
Legrand	2,438	—20
Maisons Phenix	185	—5
Matra S.A.	1,630	—16
Michelin B	1,630	+5
Midi (Cie)	3,984	+4
Moet-Hennessy	2,378	+68
Moulinex	66.8	—0.8
Nord Est	168	+9
Pernod Rica	787	+11
Perrier	428	—2
Petroles Fra.	281.5	+5.5
Peugeot S.A.	474	—4
Printemps (Au.)	370	—2.4
Radiotech	398	—3
Redoute	1,940	....
Roussel-Uclaf	1,645	+25
Sefimeg	379	—1
Skis Rossignol	1,450	+1
Telemec Elect	2,670	—20
Thomson (CSF)	701	+3
Valeo	385	—3.5

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

GERMANY

Dec. 16	Price Dm.	+ or —
AEG	236.8	+6
Allianz Vers	1,862	+25
BASF	272.5	+3.2
Bayer	289	+8
Bayer.Hypo	500	+12
Bayer-Verein	498	+9
BHF-Bank	493	—1.5
BMW	572	+6
Brown Boveri	290.2	—3.8
Commerzbank	305.5	+15.5
Cont'l. Gummi	162	—1.3
Daimler-Benz	1,252	+42
Degussa	438	+11
D'sche Babcock	213	+9
Deutsche Bank	800	+33
Dresdner Bank	375	+9.5
GHH	256	+21
Henkel	394	+2
Hochtief	820	+20
Hoechst	275	+11.7
Hoesch Werke	167	+0.5
Holzmann (P)	475	+5
Horten	222	+4
Hussel	418	—7
Karstadt	330	+1
Kaufhof	338	—2
KHD	330	+6
Kloeckner	93.5	—2
Linde	578	+3
Lufthansa	231.5	+1.5
MAN	221	+3
Mannesmann	278	+4.5
Mercedes Hld	1,134.5	+17.8
Metallgesell	318	+3.5
Muench Rueck	2,630	....
Nixdorf	541	+6
Porsche	1,315	+87
Preussag	249	+3
Rhein West Elect	196	+0.3
Rosenthal	325	+8
Schering	640	+16
Siemens	675.2	+8.8
Thyssen	179.2	+0.3
Varta	285	—2
Veba	291.5	+1
V.E.W.	143	+0.5
Verein-West	362	+1
Volkswagen	439.5	+13.1

ITALY

Dec. 16	Price Lira	+ or —
Banco Com'le	23,005	—270
Bastogi-IRBS	487	—31
Centrale	3,450	—32
C.I.R.	6,040	—70
Credito Italiano	3,050	—26
Fiat	5,351	—69
Generali Assicur.	72,180	—730
Italcementi	50,510	+460
La Rinascente	950.5	—19.5
Montedison	2,475	—50
Olivetti	8,200	+200
Pirelli Co	6,035	—15
Pirelli Spa	3,140	—81
Saipem	6,860	—50
Snia BPD	4,950	—77
Toro Assic	22,560	—120

NETHERLANDS

Dec. 16	Price Fls	+ or —
ACF Holding	270.5	+0.5
AEGON	109.5	+1.4
Ahold	76.3	+1
AKZO	136.3	—0.2
ABN	558	+10
AMEV	80.8	+1.4
AMRO	101.5	+3.4
Bredero Cert	191	—1
Bos Kalis Westm.	14.2	—0.1
Buehrmann-Tet.	125.5	+1.8
Calland Hlgs	28.8	+1.1
Dordtsche Pet'm	162.5	+0.2
Elsevier-NDU	170	+6.5
Fokker	73.2	+0.7
Gist Brocades	259.5	+7.5
Heineken	214.7	+1.6
Hoogovens	79.3	+1.8
Int Mueller	66	+1
KLM	55.3	+0.4
KNP	121.5	+2.3
Naarden	58	....
Nat Ned Cert	82.1	+0.4
Ned Mid Bank	220.5	+3
Nedlloyd	201.2	+1.2
Oce Grinten	376	+1
Ommeren (Van)	31.4	—0.1
Pakhoed	82.8	+2.1
Philips	57.6	+0.7
Robeco	82	+1.1
Rodamco	135.4	+0.1
Rolinco	73.4	+1
Rorento	46.8	—0.1
Royal Dutch	175.6	....
Unilever	388	+0.5
VMF Stork	254.5	—0.5
VNU	282	+6.5
Wessanen	225	+4.5
West Utr Bank	85.5	—0.5

NORWAY

Dec. 16	Price Kroner	+ or —
Bergens Bank	165	—2.5
Borregaard	445	2.5
Christiania Bank	172.5	—3.5
DenNorske Cred	180	+1
Elkem	108	+4.5
Kosmos	177	+3.5
Kvaerner	161	....
Norsk Data	414.5	+0.5
Norsk Hydro	145.5	....
Storebrand	278.5	—3.5

SPAIN

Dec. 16	Price Pta %	+ or —
Bco Bilbao	427	....
Bco Central	326	....
Bco Exterior	204	+1
Bco Hispano	157	+2
Bco Popular	446	+4
Bco Santander	410	+2
Bco Vizcaya	580	+7
Dragados	144	+3
Hidrola	90.7	+2.7
Iberduero	112	+3.7
Petroleos	149	+7
Telefonica	138	+2

SWEDEN

Dec. 16	Price Kronor	+ or —
AGA	176	+8
Alfa-Laval B	267	+2
ASEA (Free)	323	....
Astra (Free)	515	+5
Atlas Copco	185	+4
Cardo (Free)	271	—7
Cellulosa	175	....
Electrolux B	195	+4
Ericsson B	326	+1
Esselte	445	—10
Mo och Domsjo	203	+3
Pharmacia	197	+10
Saab Scania Free	505	....
Sandvik	700	+40
Skandia	331	+1
Skan Enskilda	80	—3.5
SKF	290	+1
Sonneson	141	....
Stora Kopparbrg.	171	+3
Sven Handlesbn.	232	+1
Swedish Match	254	+6
Volvo B (Free)	320	—1

SWITZERLAND

Dec. 16	Price Frs.	+ or —
Adia Intl.	4,430	—95
Alusuisse	675	+20
Bank Leu	4,225	+25
Brown Boveri	1,820	—20
Ciba Geigy	3,750	+100
do. (Part Certs)	3,080	+30
Credit Suisse	3,645	+45
Elektrowatt	3,475	....
Fischer (Geo.)	1,135	—5
Hoff-Roche PtCts	118,000	+500
Hoff-Roche 1/10	11,825	+50
Jacobs Suchard	7,340	—110
Jelmoli	3,550	—50
Landis & Gyr	2,290	+5
Nestle	8,100	—50
Oer-Buehrle	1,290	—20
Pirelli	390	—4
Sandoz (Br)	10,600	....
Sandoz (Pt Cts)	1,720	+5
Schindler (PtCts)	880	—20
Sika	1,950	+50
Surveillance A	5,995	+5
Swissair	1,755	—15
Swiss Bank	550	+2
Swiss Reinsce	12,900	+100
Swiss Volksbk.	2,500	+20
Union Bank	5,250	+30
Winterthur	6,025	+55
Zurich Ins.	5,710	—15

AUSTRALIA

Dec. 16	Price Aust $.	+ or —
ANZ Group	4.37xa	—0.02
Ampol Pet.	2.2	+0.05
Ashton	1.05	—0.05
Aust. Cons. Ind.	2.7	—0.05
Aust. Guarantee	2.45	....
Aust. Nat. Ins.	2.6	—0.08
APM.	2.86	—0.06
Bell Group	12.0	+0.2
Bell Res.	5.0	—0.2
Bond Corp Hldgs	1.82xc	+0.04
Boral	5.12	—0.01
Bougainville	1.84	....
Brambles Inds	4.2	0.05
Bridge Oil	1.95	....
B. H. Prop.	8.26	—0.02
CRA	5.2	—0.04
CSR	3.56	+0.01
Coles (C.J.)	4.15	+0.05
Comalco "A"	1.75	—0.05
Consolidated Pet	0.29	—0.01
Costain Aust.	2.0	....
Dunlop Olympic	2.3	....
Elders IXL	2.93	+0.02
Energ Res.	1.6	+0.02

AUSTRALIA (continued)

Dec. 16	Price Aust.$	+ or —
Gen. Prop. Trust	2.07	+0.01
Hardie (James)	3.2	+0.15
Hartogen Energy	1.85	....
Herald W'yTimes	5.24	+0.04
ICI Aust	2.12	—0.01
Jimberlana F.P.	0.22	....
Kia Ora Gold	0.15	....
Kidston Gold	4.9	—0.1
Lend Lease	5.86	—0.06
MIM	2.5	....
Mayne Nickless	3.05	....
Myer Emporium	3.42	—0.08
Nat. Aust. Bank	4.65	+0.05
News	8.5	....
Nicholas Kiwi	2.4	....
NorandaP'c P.pd	0.65	....
North Bkn Hill	2.17	....
Oakbridge	1.08	—0.04
Pancontinental	1.72	....
Pioneer Conc.	2.2	—0.02
Poseidon	2.65	....
Queensland Coal	1.43	—0.01
Reckitt & Colman	3.65	....
Repco	1.56	....
Santos	5.8	....
Smith (Howard)	4.45	+0.05
Thos. Natwide	2.52	....
Tooth	5.2	—0.1
Vamgas	2.8	—0.2
Western Mining	3.06	—0.04
Westpac Bank	4.5	....
Woodside Petrol	1.15	—0.06
Woolworths	3.35	+0.01
Wormald Intl	3.5	....

HONG KONG

Dec. 16	Price H.K.$	+ or —
Bank East Asia	23.7	....
Cheung Kong	21.0	—0.2
China Light	14.9	....
Evergo	0.61	—0.02
Hang Seng Bank	47.0	+0.25
Henderson Land	2.15	—0.05
HK China Gas	15.9	—0.1
HK Electric	8.4	....
HK Kowloon Wh.	7.55	....
HK Land	6.55	—0.05
HK Shanghai BK.	7.65	....
HK Telephone	9.95	+0.05
Hutchison Wpa	26.6	—0.2
Intnl. City	1.0	+0.01
Jardine Math	13.2	—0.4
New World Dev.	6.8	—0.05
Orient O'seas	1.99	....
SHK Props	12.9	—0.1
Shell Elect	0.91	....
Swire Pac A	30.5	+0.6
TV—B	6.55	—0.05
World Int. Hldgs.	2.6	—0.02

JAPAN

Dec. 16	Price Yen	+ or —
Ajinomoto	1,140	+10
All Nippon Air	685	—7
Alps Electric	1,840	—10
Asahi Chem	827	+22
Asahi Glass	888	—1
Bank Tokyo	775	....
Bridgestone	523	—9
Brother Inds	576	—10
Canon	1,210	+10
Casio Comp.	1,830	—10
Chugai Pharm.	985	—1
Daiei	700	—10
Dai-Ichi Kan. Bk.	1,550	—20
Dai Nippon Ink	325	+4
Dai Nippon Ptg	1,290	—20
Daiwa House	860	....
Daiwa Sec.	829	+11
Eisai	1,330	+30
Fanuc	7,580	—60
Fuji Bank	1,540	....
Fuji Film	2,110	+20
Fujisawa	882	+22
Fujitsu	1,150	—10
F'urukawa Elect.	334	—1
Green Cross	2,200	+60
Heiwa Real Est	809	+7
Hitachi	785	+5
Hitachi Credit	1,130	+40
Honda	1,260	+30
Indl. Bk. Japan	1,120	+10
Ishikawajima Hr.	160	....
Isuzu Motors	355	+9
Itoh (C)	409	—4
Ito. Yokado	3,060	—10
JAL	7,860	....
Jusco	955	—5
Kajima	475	—5
Kao Soap	977	+2
Kawasaki Steel	136	+1
Kirin	738	—1
Kobe Steel	184	+9
Komatsu	490	+3
Konishiroku	701	+1
Kubota	348	+6
Kumagai	751	+2
Kyocera	4,760	+20
Marubeni	340	+12
Marui	1,650	+30
Mazda Motors	403	+1
Meiji Seika	538	+6
MEI	1,560	....
M'bishi Bank	1,460	—20
M'bishi Chem	540	+13
M'bishi Corp	572	—11
M'bishi Elect	357	—3
M'bishi Estate	1,140	....

JAPAN (continued)

Dec. 16	Price Yen	+ or —
MHI	370	—5
Mitsui Bank	1,020	....
Mitsui	413	+5
Mitsui Estate	1010	—30
Mitsui Toatsu	215	+5
Mitsukoshi	625	—5
NGK Insulators	942	+7
Nikko Sec	750	....
Nippon Denso	1,440	....
Nippon Elect	1,330	—30
Nippon Express	576	—11
Nippon Gakki	1,680	50
Nippon Kogaku	1,120	....
Nippon Kokan	133	—1
Nippon Oil	810	—10
Nippon Seiko	519	—11
Nippon Shimpan	731	+1
Nippon Steel	154	—1
Nippon Suisan	336	—1
Nippon Yusen	337	—3
Nissan Motor	579	+4
Nisshin Flour	500	+4
Nomura	1,140	+10
Olympus	1,050	....
Onoda Cement	310	+1
Orient Finance	900	—12
Orient Leasing	2,850	—50
Pioneer	1,880	—10
Ricoh	1,160	+10
Sankyo	1,110	+30
Sanwa Bank	1,370	+10
Sanyo Elect	408	....
Sapporo	610	+46
Sekisui Prefab	839	—1
Seven-Eleven	9,380	—50
Sharp	955	+18
Shimizu Constn	365	+2
Shionogi	790	+15
Shiseido	1,340	—20
Showa Denko	218	—1
Sony	4,300	+20
S'tomo Bank	1,700	+10
S'tomo Chem	253	+3
S'tomo Corp	741	+1
S'tomo Elect	899	—3
S'tomo Metal	139	....
Taise Corp.	387	+6
Taisho Marine	651	—3
Taiyo Kobe Bank	725	....
Takeda	949	+7
TDK	4,650	—40
Teijin	492	+7
Tca. Nenryo	1,160	—10
Tokai Bank	996	—4
Tokio Marine	892	—18
Tokyo Elect Pwr	2,710	—10
Tokyo Gas	302	—8
Tokyu Corp	650	—18
Toppan Print	1,000	+5
Toray	523	+3
Toshiba Elect	388	—5
Toyo Seikan	1,610	+20
Toyota Motor	1,240	+20
UBE Inds	206	+6
Victor	1,660	+30
Yamaha	675	....
Yamaichi Sec	770	....
Y'manouchi Phm	3,140	+90
Yamazaki	946	—20
Yasuda Fire	537	—9

SINGAPORE

Dec. 16	Price $	+ or —
Boustead Hldgs.	1.19	—0.02
Cold Storage	2.58	—0.1
DBS	5.15	—0.2
Genting	4.4	—0.02
Haw Par. Bros.	1.82	—0.03
Hong Leong Fin.	2.42	....
Inchcape Bhd	1.6	—0.11
Keppel Shipyard	0.96	—0.05
Malay Banking	4.78	....
Malay Utd. Ind	1.79	—0.07
Multi Purpose	0.65	—0.02
OCBC	7.65	—0.05
OUB	2.51	—0.04
Public Bank	1.15	—0.04
Sime Darby	1.34	—0.02
Singapore Press	5.75	—0.25
Straits Trdg.	2.28	—0.05
Tat Lee Bk	2.31	....
UOB	5.20	....

SOUTH AFRICA

Dec. 13	Price Rand	+ or —
Abercom	1.8	—0.5
AE&CI	9.3	—0.1
Allied Tech	54	....
Anglo Am. Coal	56	—1
Anglo Am. Corp.	38.85	—0.15
Anglo Am. Gold	192.5	+0.5
Barclays Bank	18.5	....
Barlow Rand	12.95	....
Buffels	82.25	+1
CNA Gallo	1.9	....
Currie Finance	4.25	—0.75
De Beer	15.7	—0.35
Driefontein	48.25	—0.75
FS Geduld	69	....
Gold Fields S.A.	36.15	—0.1
Highveld Steel	6.9	....
Nedbank	8.55	....
OK Bazaars	13	+0.5
Protea Hldgs	2.2	—0.05
Rembrandt	48.25	—0.25
Rust Plat	24.25	....
Safren	12	+0.5
Sage Hldgs	9.8	....
SA Brews	8.25	+0.25
Smith (CG)	24.5	....
Tongaat Huletts	7.4	+0.02
Unisec	6.1	+0.02

CANADA

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Indices

NEW YORK—DOW JONES

	Dec 16	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,556.85*	1,535.21	1,511.24	1,511.70	1,489.20	1,497.82	1511.70 (11/12)	1184.96 (4/1)	1535.21 (13/12/85)	41.22 (2/7/32)
Transport	727.53*	722.61	710.32	715.12	703.77	698.79	715.12 (11/12)	553.03 (4/1)	722.61 (13/12/85)	12.32 (8/7/32)
Utilities	170.45*	169.80	167.01	167.47	166.19	165.78	168.91 (12/7)	146.54 (4/1)	169.91 (12/7/85)	10.5 (28/4/42)
Trading vol		177m	178m	179m	156m	144m	—	—	—	—

	Dec 6	Nov 29	Nov 22	Year Ago (Approx)
Ind Div Yield %	4.28	4.29	4.32	5.04

STANDARD AND POORS

	Dec 16	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	236.16*	233.36	229.66	228.75	226.86	227.82	228.75 (11/12)	128.24 (4/1)	233.36 (13/12/85)	3.62 (30/6/32)
Composite	212.33*	209.93	206.73	206.31	204.40	204.52	206.31 (11/12)	163.68 (4/1)	209.93 (13/12/85)	4.40 (1/6/32)

	Dec 11	Dec 4	Nov 27	Year Ago (Approx)
Ind div yield %	3.48	3.50	3.52	4.12
Ind. P/E Ratio	14.88	13.91	13.82	10.50
Long Gov Bond Yield	9.54	9.84	9.88	11.37

N.Y.S.E. ALL COMMON

Dec 16	Dec 13	Dec 12	Dec 11	1985 High	1985 Low
122.88*	120.83	119.12	118.88	120.83 (13/12)	94.60 (4/1)

RISES AND FALLS

	Dec 13	Dec 11	Dec 10
Issues traded	2,072	2,067	2,084
Rises	1,285	1,116	873
Falls	422	568	783
Unchanged	365	383	424

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
RCA	3,527,100	59⅝	+ ⅛
Reynolds Ind.	3,088,900	32	+3⅞
S. Dego Gas	2,829,600	28⅝	+ ¼
Union Carbide	2,706,800	69¾	+1⅝
ITT Corp	2,603,700	38⅝	+1
Sears Roebuck	2,597,700	40⅞	+ ⅛
Texaco	2,262,600	29¾	+ ⅞
Philip Morris	1,970,000	85¾	+4⅞
Midcon Corp.	1,925,800	61¾	+2¼
BankAmerica	1,917,500	15⅝	+ ⅛

TORONTO

	Dec 16	Dec 13	Dec 12	Dec 11	1985 High	1985 Low
Metals & Minls	2,058.6*		2,010.37	2,001.6	2180.7 (13/2)	1749.82 (31/10)
Composite	2,880.5*	2,866.8	2,851.7	2,843.5	2884.8 (4/12)	2348.5 (8/1)
MONTREAL Portfolio	141.38*		139.46	139.29	139.78 (4/12)	117.80 (4/1)

* Indicates pre-close figure

	Dec. 16	Dec. 13	Dec. 12	Dec. 11	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	974.8	978.0	977.7	980.7	1052.2 (29/10)	715.5 (7/1)
Metals & Minls. (1/1/80)	469.6	472.8	475.7	479.2	565 (20/5)	462.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	115.78	116.00	116.07	115.87	121.93 (26/11)	56.21 (24/1)
BELGIUM						
Brussels SE (3/1/80)	2858.87	2877.01	2864.06	2848.15	2986.36 (25/11)	2080.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	232.37	251.89	254.05	255.54	257.67 (24/10)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	252.9	250.3	248.9	247.5	252.9 (16/12)	180.8 (3/1)
Ind Tendance (28/12/84)	146.7	145.4	144.9	144.0	146.7 (16/12)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	618.51	610.64	604.4	592.65	619.51 (16/12)	382.39 (3/1)
Commerzbank (1/12/53)	1847.9	1811.2	1782.5	1745.3	1847.9 (16/12)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1728.21	1755.58	1740.40	1725.05	1762.51 (21/11)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	430.82	434.88	437.40	437.68	446.54 (5/12)	228.56 (2/1)
JAPAN **						
Nikkei (16/5/49)	13117.8	13107.98	13050.28	12972.0	13117.8 (16/12)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1047.87	1047.87	1044.11	1031.59	1057.55 (10/7)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	240.6	238.5	236.1	234.5	240.8 (16/12)	186.6 (3/1)
ANP-CBS Indust (1970)	222.9	220.0	217.3	216.7	222.9 (16/12)	147.9 (5/1)
NORWAY						
Oslo SE (4/1/83)	388.45	389.28	387.07	388.10	412.88 (12/11)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	644.06	655.15	644.09	647.21	655.15 (13/12)	609.54 (5/12)
SOUTH AFRICA						
JSE Gold (28/9/78)	(c)	(u)	1127.4	1133.2	1277.1 (25/11)	829.3 (5/8)
JSE Indust (28/9/78)	(c)	(u)	1034.2	1035.9	1040.2 (28/11)	757.1 (7/5)
SPAIN						
Madrid SE (28/12/84)	137.66	134.85	133.37	132.89	137.65 (16/12)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1750.59	1730.67	1693.56	1657.89	1750.59 (16/12)	1285.32 (8/7)
SWITZERLAND						
Swiss BankCpn (31/12/58)	554.5	553.4	553.2	555.3	554.5 (16/12)	388.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	251.8	249.2	246.8	251.8 (13/12)	184.8 (4/1)

** Saturday December 7. Japan Nikei 12,790 9. TSE 1,010 37.

Base value of all indices is 100, except: JSE Gold—255 7; JSE Industrial—264.3; Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

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LONDON

Chief price changes (In pence unless otherwise indicated)

RISES

Adam Leisure	13½	+3½
Airflow Stream	35	+ 7
Billam (J)	61	+ 6
Burgess Prod	166	+ 8
Canning (W)	93	+14
Caparo Props	52	+20
Chloride	36	+ 3
Cook (Wm)	79	+ 5
Halma	225	+ 8
J S Path	248	+11
Jaguar	333	+ 8
Logica	137	+ 7
MMT Comput	190	+20
Microlease	190	+30
Minet Hldg	231	+11
Newman Ind	31	+ 3
Spear (J W)	187	+ 7
Utd Scient	170	+15
Valor	227	+10
Watson (R Kelv)	243	+ 9
Wood (SW)	40	+ 5

FALLS

Tr 11¾ 1991	£101½	— ¾
Tr 11½ 2001-04	£109¾	— ¾
Berisford (S&W)	155	— 4
Britannia Arrow	143	— 4
Brit Home St	344	—26
BP	535	— 7
Dixons	849	—31
Goal Petrol	48	—14
United Bisc	252	— 7

NEW YORK PRICES

Continued from Page 37

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
34⅜	19⅝	Whitehl			11	640	27⅜	26⅛	27⅜	+ 1¼
26½	17¼	Whittak 60		2.8	11	583	21⅝	21	21½	+ ½
13⅝	6⅝	Wiebldt		3.3		9	13⅝	13¼	13⅝	
15⅛	8	Wilfred .12		1.0	13	54	13⅛	12½	12½	— ⅝
14⅝	7⅜	WillcxG.10		.7	6	123	u14¾	14½	14⅝	+ ¼
33½	26¾	Willamt.40		4.8	21	1117	28¾	28¼	28⅝	+ ⅛
6⅝	2	WilmEl				166	6⅝	6⅛	6¼	— ⅛
7⅛	5⅛	WilshrO10b		1.9	16	47	5⅝	5⅜	5⅜	— ⅛
38⅜	30½	WinDix1.74		4.5	15	1698	u38⅞	35½	38⅝	+ 3
20⅞	8½	Winnbg .20		1.7	17	1216	12	11⅝	11⅞	+ ⅜
9⅝	5⅛	Winner				164	8⅛	7¾	7¾	— ⅛
9½	3¼	WinterJ				92	9¼	9	9⅛	
40½	30¾	WiscEP2.48		6.2	9	878	40¼	38⅞	40	+ 1⅛
93½	72⅝	WisE pf8.90		9.9		z20	90	90	90	— 1
26¾	23¼	WisG pf2.55		9.7		4	26⅜	26⅜	26⅜	
40⅜	28⅛	WiscPL2.76		6.9	9	127	40	39⅝	40	+ ⅜
40⅜	28¾	WiscPS2.86		7.3	9	65	39½	39	39⅜	+ ⅛
41⅜	31½	Witco 1.48		3.7	10	44	40¼	39⅞	40¼	+ ⅛
14	9½	WolvrW .24		1.9		302	12⅝	12⅜	12½	— ⅛
62½	35⅝	Wolwth 2		3.3	12	1385	60½	59⅝	60	— 1¼
86¼	51½	Wolw pf2.20		2.6		14	85¾	85¼	85¼	— 1⅜
5⅜	2½	WridAr				61	4⅜	4⅛	4¼	
94¾	55⅝	Wrigly 1.80a		1.9	16	57	94	93½	93½	+ ½
4⅜	2⅞	Wurltzr				39	3¼	3⅛	3⅛	
16	10⅝	WyleLb .32		2.0	68	255	15¾	15¼	15⅜	+ ½
23⅝	15½	Wynns .60		3.5	13	57	17¼	16⅞	17¼	+ ⅛

X Y Z

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
60½	37¼	Xerox 3		5.0	20	2653	60	58¾	59⅝	
56¾	48⅝	Xerox pf5.45		10.		410	54¾	54	54¾	+ ⅛
30¼	24⅜	ZaleCp 1.32		4.5	13	69	29⅝	29¼	29¼	
17	7¼	Zapata .12		1.8	46	1104	7⅜	d	6½	6½
65¾	32⅜	Zayre s .48		.7	19	624	u66⅛	64⅛	65	+ ½
25	16¼	ZenithE				10813766	21⅞	20½	21⅝	+ 1⅜
21⅞	15⅜	Zero s .32		1.5	18	199	u22⅜	21⅜	22	+ ⅝
41½	24¾	Zurnin 1.32		3.5	14	378	38⅜	37¼	38¼	— ⅛

Prices at 3pm, December 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26¾	16	AAR	.56	2.2	16	92	25	24⅝	25	+⅛
20⅞	10⅛	AGS			16	107	20	19½	19¾	−⅛
15⅝	9⅞	AMCA				5	11⅝	11⅝	11⅝	+⅛
50¾	33½	AMR			8	7173	45	44⅝	44¾	+⅛
24¾	18⅝	AMR pf2.18		9.2		4	23⅝	23⅝	23⅝	
25⅞	23¼	ANR pf 2.67		11		3	24	24	24	+⅛
22	19	ANR pf 2.12		10.		1	20½	20½	20½	
11⅞	7⅝	APL			5	26	10⅝	10⅝	10⅝	
16¾	9	ARX			15	133	16¾	16⅜	16½	−⅛
56⅝	32¾	ASA	2a	5.8		827	34½	33¾	34⅜	−¾
27	10½	AVX	.32	2.3		620	14⅛	13⅞	14	−⅛
28⅛	20⅝	AZP	2.72	10	8	1522	27	26⅝	27	+⅛
68½	38⅞	AbtLab1.40		2.0	19	4138	u72	68¼	70¼	+2
25⅞	19⅝	AccoWd.50		2.0	18	64	25⅛	25	25⅛	
24¾	10	AcmeC .40		3.4	17	213	12¾	11⅞	11⅞	−⅛
10½	7	AcmeE.32b		4.1	12	165	7¾	7¼	7¾	+⅝
19⅝	15½	AdaEx 1.92e		10.		58	18⅝	18⅝	18¼	
22	14	AdmMl .40		1.8	9	58	u22½	22	22½	+⅛
18¼	8⅝	AdvSys.53t		2.9	16	325	u18⅝	17⅞	18	−⅛
35⅝	22⅛	AMD			44	5657	30⅝	29⅝	30¼	+¾
12⅜	10⅝	Adobe n				185	11⅞	11⅝	11⅞	+⅛
17	14⅝	Adob pfA				115	16⅛	15¾	16	+⅛
17⅝	15¼	Adob pfB				57	17⅝	17⅜	17½	+⅛
12¾	7	Advest .12a		.9	18	339	u12⅞	12¼	12¾	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WE REGRET that this listing is incomplete due to computer problems.

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
[illegible]										
15⅛	5½	WUTl pfA				55	14½	14	14	−½
45¾	24¾	WstgE 1.20		2.7	14	8689	45⅝	44⅝	45⅛	+⅝
44¼	34⅞	Westvc 1.32		3.0	12	190	44	43⅞	44	+¾
34	24¾	Weyerh 1.30		4.0	31	4942	32¼	31¾	32⅛	+⅛
44⅝	37⅞	Weyr pf2.80		6.4		71	43½	43⅛	43½	+⅝
51⅝	46	Weyr pr4.50		9.1		79	50⅝	49⅝	49⅝	−⅜
18⅛	6⅝	vjWhPit				57	8¾	8½	8½	−¼
37½	14⅛	vjWPit pfB				z700	18¼	18¼	18¼	
31¾	10½	vjWhPitpf				z540	14¾	14½	14¾	−¼
50¾	40½	Whirlpl 2		4.0	11	1283	50½	49⅝	50¼	+⅝
34⅝	25½	WhitC 1.50		4.3		436	34⅝	34	34⅝	+⅜
45¾	38⅛	WhitC pfC 3		7.3		3	41	41	41	−¼

Continued on Page 35

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, December 16

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Blue chips swept to new peaks

ENTHUSIASTIC support from US private and institutional investors swept Wall Street's blue-chip issues to new peaks yesterday, *writes Terry Byland in New York.*

Renewed demand for the big name stocks, together with a spate of takeover and other special situations, drove the Dow average to another double digit gain.

The advance paused at mid-morning only to gather pace again when the bond market surged forward as President Ronald Reagan began to rally political support for his tax-revision bill.

At 3pm the Dow Jones industrial average was up 25.46 at 1,560.67.

The Dow average was boosted by strong gains in IBM, General Electric and Union Carbide, as well as in the tobacco stocks. The broader market, at first slow to follow the blue chips, was later drawn into the upward spiral.

Investment optimism was fed by predictions in the investment press that the collapse of the Opec cartel could presage a long-term bull phase in US securities markets.

Hopes of fresh falls in US interest rates strengthened ahead of today's meeting of the Federal Reserve's Open Market Committee (FOMC), which is expected to consider an early reduction in the discount rate from its present level of 7½ per cent.

Utility stocks, Wall Street's barometer of interest rate prospects, continued to rise sharply. Consolidated Edison, the New York electric utility, put on $¾ to $38¼.

Technology stocks again provided a strong lead. IBM jumped $1¾ to $152 in brisk, but not spectacular, trading. Honeywell, tagged as the next leveraged buyout target, bounded ahead again, adding a further $2¾ to $80.

General Electric at $72⅞ was $½ up, and other names to find buyers included McDonnell Douglas, $1½ higher at $73⅜, Minnesota Mining & Manufacturing, $⅝ up at $89½, and Eastman Kodak, up $⅝ at $52⅞.

Among the car stocks, Chrysler was strongly sought on the announcement that 9.5m shares will be bought back from the employee stock ownership plan. General Motors, after a slow start, gained $1½ to $76½ while Ford at $58¼ put on $¾.

Also back on centre stage were the airline stocks, which are natural beneficiaries of lower oil prices. United, up $½ at $53, and American, up $⅛ at $44¾, extended last week's gains. But Pan American weakened $⅛ to $7⅞.

Tobacco stocks soared in heavy trading after favourable legal rulings on the disease liability claims which have depressed the sector. R. J. Reynolds added $⅝ to $32¾, with nearly 2m shares traded after a federal judge rejected a $55m suit. The ruling closely followed GAF's failure to link the tobacco industry with asbestos liability claims. Philip Morris bounded $2¾ to $88.

The most active stock on the NYSE was Phillips Petroleum, up $¼ at $12¼, as 2.25m shares turned over in early speculative trading.

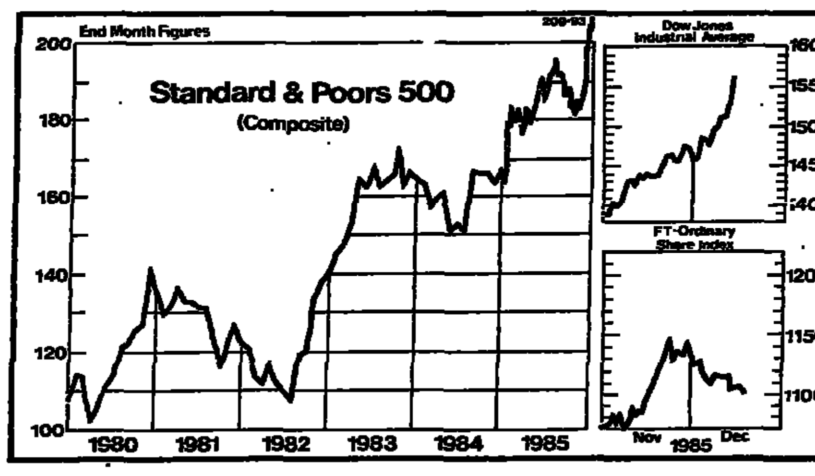
A spate of takeover offensives dominated the active list. Union Carbide jumped $1¼ to $71 in heavy trading, still well short of the $85 a share in cash and debt offered by the company for 35 per cent of its own stock but clear of the $68 a share offered by GAF.

Wall Street's arbitrageurs, holding strong positions in Carbide stock, scented a lucrative contest. At $61½, GAF stock dropped $3¾ as the arbitrageurs awaited the next move.

Credit markets opened quietly but surged ahead at mid-session. At the long end of the market, gains quickly ranged to a full point as Wall Street welcomed the prospect of action on the tax-reform bill.

Federal funds remained below 8 per cent, without action by the Federal Reserve. Short-term rates edged higher, in the face of a busy week of Treasury funding, which opened yesterday with the sale of $15.2bn in short-term bills.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 16	Previous	Year ago
NEW YORK			
DJ Industrials	1,560.67*	1,535.21	1,175.91
DJ Transport	726.01*	722.51	534.99
DJ Utilities	170.86*	168.80	144.59
S&P Composite	212.39*	209.93	181.52
LONDON			
FT Ord	1,100.3	1,105.9	938.3
FT-SE 100	1,376.5	1,381.4	1,204.8
FT-A All-share	667.75	669.76	582.47
FT-A 500	731.38	734.59	638.65
FT Gold mines	257.5	260.3	467.7
FT-A Long gilt	10.46	10.39	10.29
TOKYO			
Nikkei	13,117.85	13,107.98	11,419.10
Tokyo SE	1,047.90	1,047.97	883.60
AUSTRALIA			
All Ord.	974.8	976.0	718.7
Metals & Mins.	1,451.7	1,450.2	408.1
AUSTRIA			
Credit Aktien	115.78	116.00	58.69
BELGIUM			
Belgian SE	2,896.87	2,877.01	—
CANADA			
Toronto			
Metals & Minls	2,058.6*	2,028.7	1,860.0
Composite	2,880.6*	2,866.0	2,345.2
Montreal			
Portfolio	141.38*	140.67	117.09
DENMARK			
SE	232.37	231.89	167.2
FRANCE			
CAC Gen	252.9	250.3	180.7
Ind. Tendance	146.7	145.4	99.8
WEST GERMANY			
FAZ-Aktien	619.51	610.30	372.29
Commerzbank	1,847.9	1,811.2	1,077.6
HONG KONG			
Hang Seng	1,728.21	1,735.58	1,142.09
ITALY			
Banca Comm.	430.62	434.88	219.89
NETHERLANDS			
ANP-CBS Gen	240.8	238.5	178.1
ANP-CBS Ind	222.9	220.0	142.7
NORWAY			
Oslo SE	388.45	388.28	283.96
SINGAPORE			
Straits Times	644.05	655.13	804.68
SOUTH AFRICA			
JSE Golds	closed	n/a	947.3
JSE Industrials	closed	n/a	931.9
SPAIN			
Madrid SE	137.65	134.83	98.58
SWEDEN			
J & P	1,750.59	1,730.67	1,342.9
SWITZERLAND			
Swiss Bank Ind	554.5	553.4	381.9
WORLD	Dec 13	Prev	Year ago
Capital Int'l	251.8	249.2	182.5

COMMODITIES

(London)	Dec 16	Prev
Silver (spot fixing)	406.30p	406.90p
Copper (cash)	£985.25	£980.00
Coffee (Jan)	£2,253.50	£2,093.00
Oil (spot Arabian Light)	n/a	n/a

GOLD (per ounce)

	Dec 16	Prev
London	$319.50	$318.50
Zürich	$319.25	$318.00
Paris (fixing)	$318.63	$318.46
Luxembourg	$318.50	$318.50
New York (Feb)	$324.90	$322.20

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Dec 16	Previous	Dec 16	Previous
$	—	—	1.438	1.437
DM	2.523	2.5205	3.6275	3.6175
Yen	202.6	202.5	291.25	291.0
FFr	7.7175	7.725	11.0975	11.10
SFr	2.1125	2.1075	3.0375	3.0275
Guilder	2.845	2.8415	4.09	4.0825
Lira	1,720.5	1,723.5	2,474.0	2,476.5
BFr	51.5	51.4	74.05	73.85
C$	1.39405	1.38975	2.0033	1.9985

INTEREST RATES

	Dec 16	Prev
Euro-currencies (3-month offered rate)		
£	11¾	11 11/16
SFr	4 7/16	4⅜
DM	4 13/16	4 13/16
FFr	12⅛	12
FT London interbank fixing (offered rate)		
3-month U.S.$	7 15/16	8 1/16
6-month U.S.$	8	8 1/16
U.S. Fed Funds	7⅞*	7⅞
U.S. 3-month CDs	7.65*	7.70
U.S. 3-month T-bills	7.005*	6.965

U.S BONDS

Treasury		Dec 16* Price	Yield	Prev Price	Yield
8½	1987	100 23/32	7.966	100 22/32	8.059
9¾	1992	103 24/32	8.998	103 8/32	9.097
9½	1995	102 8/32	9.162	101 17/32	9.259
9⅞	2015	104	9.47	102 25/32	9.59

Treasury Index

Maturity (years)	Return index	Dec 16* Day's change	Yield	Day's change
1–30	136.53	+0.06	8.78	+0.02
1–10	133.46	+0.05	8.50	+0.02
1– 3	128.64	+0.01	8.05	+0.03
3– 5	135.40	+0.06	8.66	+0.01
15–30	147.56	+0.12	9.76	0

Source: Merrill Lynch

Corporate	Dec 16* Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	101½	9.90	101½	9.90
3⅞ July 1990	85⅝	7.70	85⅝	7.75
8⅜ May 2000	89¾	10.10	89½	10.15
Xerox				
10⅜ Mar 1993	104⅛	9.80	102	10.15
Diamond Shamrock				
10¾ May 1993	102	10.20	100⅛	10.60
Federated Dept Stores				
10⅞ May 2013	99⅝	10.70	96⅞	11.00
Abbot Lab				
11.80 Feb 2013	108¼	10.85	106	11.10
Alcoa				
12¼ Dec 2012	105⅝	11.60	104	11.75

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	84–16	84–18	84–10	84–13
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	93.01	93.08	93.00	93.06
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.41	92.46	92.35	92.40
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	92.01	92.02	92.01	92.11
20-year Notional Gilt £50,000 32nds of 100%				
Mar	110–30	111–02	110–25	111–07

* *Latest available figures*

LONDON

Enthusiasm proves to be short-lived

INITIAL ENTHUSIASM in London faltered yesterday as investors showed little inclination to enter fresh commitments. As a result, blue-chip industrials ended with widespread losses.

Gilts also experienced drab trading conditions, with sentiment not helped by pressures resulting from the announcement late on Friday of new funding totalling £600m.

Wall Street's higher performance on Friday combined with stronger convictions of an imminent cut in the Federal Reserve discount rate to inspire the initial sharp advance.

But lack of interest from institutional investors, concerned over international oil prices and consequently the exchange rate, left trading quietly steady.

Profit-taking later developed in the stores sector, and oil issues also encountered selling pressure.

The FT-SE 100 share index ended 4.9 lower at 1,376.5 while the FT Ordinary share index lost 5.6 to 1,100.3.

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32–33

South Africa was closed because of a national holiday.

AUSTRALIA

A LETHARGIC pre-Christmas mood in Sydney dragged the market down and combined with continued concern over high domestic interest rates to push prices lower.

The All Ordinaries shed 1.1 to 974.9, and the All Resources index lost 3.2 to 607.5.

Industrials, however, fared well, with Bell Group up 20 cents at A$12.00, and James Hardie 15 cents firmer at A$3.20.

Among market leaders, BHP closed 2 cents down at A$8.28, CSR put on 1 cent to A$3.56 and Bell Resources shed 20 cents to A$5.00.

Repco, subject to a formal takeover offer from Ariadne Australia last Thursday, was unchanged at A$1.56.

HONG KONG

SELECTIVE SELLING took Hong Kong lower, with Jardine Matheson leading the fall as speculation waned on a possible takeover of the group.

Jardine lost 40 cents to HK$13.20 while Hongkong Land, in which it owns a stake, shed 5 cents to HK$6.55.

Swire Pacific and Eastern Asia Navigation rose ahead of the end of hearings by Hong Kong's Air Transport Licensing Board on licensing a new route to China. Swire gained 60 cents to HK$30.50 and Eastern Asia added 8 cents to HK$1.35.

Among market leaders, Cheung Kong eased 20 cents to HK$21.00, Hutchison Whampoa a similar amount to HK$26.60 and Sun Hung Kai Properties 10 cents to HK$12.90.

SINGAPORE

PROFIT-TAKING in Singapore resulted in shares easing across the board on stoploss selling.

Turnover fell to 4.8m shares from 8.4m on Friday, and the Straits Times index shed 11.08 points to 644.05.

Keppel Shipyard shed 3 cents to 96 cents and announced plans to cut its repair capacity by 45 per cent.

Sime Darby, the most active share traded, lost 2 cents to S$1.34 while United Motor Works, also active, was 2.5 cents lower at 41.5 cents and Neptune Orient Lines eased 1 cent to S$1.14.

CANADA

MINING ISSUES were actively sought in a higher Toronto.

Noranda moved up C$⅜ to C$15¾, and Teck class B C$½ to C$17¾, while Placer traded C$¾ higher at C$24¼ and Corp Falconbridge Copper added C$¼ to C$15.

Canron class A resumed trading up C$⅞ to C$17⅞ after being halted for news that Ivaco planned a takeover bid for the company. Ivaco class A fell C$⅞ to C$19.00.

In Montreal prices edged higher.

TOKYO

Early surge prompts run to records

AFTER last week's five consecutive sessions of gains, share prices reached an all-time high in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Blue chips such as Hitachi and Sony and biotechnology-related issues attracted buyers in the morning, but a mood of caution prevailed in the afternoon, and the market levelled off.

The Nikkei average soared 75 at one stage but fell back on late profit-taking to finish 9.87 points up at 13,117.85. Volume was down sharply at 247.86m shares against last Friday's 389.48m, and declines led advances by 422 to 392, with 149 issues unchanged.

The market was as bullish as last week when investors flocked to buy large-capital issues on expectations of cuts in US and Japanese official discount rates. Last week's surge to a record high on Wall Street also bolstered the bull market.

The rise in leading issues drew strength in the morning from the popularity of blue chips on the New York stock market and a recovery in semiconductor prices. In the afternoon, however, many of the gainers shed on small-lot selling amid growing concern over the surge last week of 317 points.

Among the quality issues, Hitachi jumped Y11 at one stage but closed up Y5 at Y785 on volume of 9.26m shares, the second largest on the list of 10 most active stocks. Sony also soared Y70 at one stage but finished up Y20 at Y4,300. NEC, which had led the surge in blue chips, fell Y30 to Y1,330, and Fujitsu eased Y10 to Y1,150.

In contrast, biotechnology issues held steady for most of the day. Mitsubishi Chemical, topping the active list with 16.93m shares traded, gained Y13 to Y540. Asashi Chemical added Y22 to Y827.

Large-capital stocks lost ground, with Tokyo Electric Power slipping Y10 to Y2,710 and Mitsubishi Heavy Industries down Y5 to Y370. Public works-related issues were mixed. Taisei firmed Y6 to Y327, but Ohbayashi eased Y10 to Y353.

Speculative issues returned to favour in the afternoon. Meito Sangyo moved the maximum Y400 up to Y2,420. Kanto Denka Kogyo and Nippon Hume Pipe also reached the gain limit of Y100 each to Y815 and Y660, respectively.

The bond market strengthened as institutional investors and corporations scurried to buy bonds on prospects of an imminent reduction in the US Federal Reserve discount rate and an easing of the Bank of Japan's policy on short-term interest rates.

The yield on the benchmark 6.8 per cent government bond due in December 1994 plunged to 5.800 per cent from last Friday's 5.850 per cent.

EUROPE

Wholesale invasion of foreigners

A WHOLESALE invasion of foreign investors drove the European bourses to record highs yesterday.

Overseas buying, sharpened by the breathtaking displays on Wall Street last week, focused on banks and insurance stocks in many centres while the bond markets settled back into a relatively quiet backwater.

Frankfurt scored its third consecutive peak as investors still managed to pick through the Deutsche Bank/Flick/Daimler carcass and find something of interest.

The surge by Deutsche Bank to DM 800 for the first time with a rise of DM 33 underwrote the rest of the market's advance, which resulted in a 36.7 point gain to 1,847.9 in the Commerzbank index. Other banks to feature strongly on overseas buying were Commerzbank itself, with a DM 13.50 advance to DM 305.50, and Dresdner, DM 9.50 stronger at DM 375.

The car sector was dominated by Daimler's effervescent DM 42 rally to DM 1,252 after last week's profits forecast and speculation that the 10 per cent Flick stake in Daimler had already been placed.

VW outperformed its other rivals with a hefty DM 13.10 jump to DM 439.30 on optimistic earnings forecasts for the year.

The new issues department of Deutsche Bank was busy again with news that Massa, the supermarket chain, would restructure and float DM 23m of fresh capital in the spring. The shares will be listed in Frankfurt and Düsseldorf.

Bond prices were boosted by gains of up to 30 basis points. Broad market sentiment is that the Bundesbank is trying to keep interest rates down and that its new 35-day securities repurchase tender – offered at a minimum 4.50 per cent – is aimed at keeping the market liquid until January.

Foreigners, banks and insurers were the hallmarks of the fifth straight peak for Zurich although stout-hearted buying of registered stocks – shares that can only be held by Swiss investors – continued to feature.

Crédit Suisse bearer gained SFr 45 to SFr 3,645 while its registered counterpart firmed SFr 10 to SFr 710. Winterthur registered sprinted SFr 175 higher to SFr 3,325 while its bearer cousin – open to Swiss and foreign buyers alike – rose SFr 35 to SFr 5,025.

The bond market was buoyed by unusually high Monday turnover, which was a spillover from the firmer trend on US credit markets on Friday.

British and US investors were thick on the ground in a record-setting Amsterdam that took the ANP-CBS General index to a peak 240.8 with a gain of 2.3 points.

Banks found good support as did publishers. ABN picked up Fl 10 to Fl 558 while VNU added Fl 6.50 to Fl 282. The De Telegraaf publishing group, which owns the Netherlands' leading daily newspaper, rose Fl 14 to Fl 285 on persistent US and British buying in a thin market.

Brussels managed a modicum of progress despite a small rise in short-term Belgian franc interest rates on Friday.

Heavy active trading by domestic and foreign institutions in a firmer Paris prolonged the session for an extra 30 minutes while a busy Madrid finished at a high for the year.

Stockholm continued its extended rally with the aid of strong foreign support while Milan was eroded by book-squaring.

مكتبة الأهرام